Member Audit Bureau of Circulations

CONTENTS

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WITH THE EDITORS

Our Plans for 1928

THE MAGAZINE OF WALL STREET, starting with January, 1928, will embark upon the most comprehensive program in its history. Arrangements have been made with leading authorities to cover the most important financial, industrial and business developments of the time. Both by way of scope and variety of the subject covered, we believe 1928 will set a new high-water mark in the editorial value of the publication. Our utmost effort will be extended to afford the greatest practical assistance to investors and business men.

* * *

Among the more important subjects covered will be the following:

(1) Complete analyses of the position of leading industries, particularly those which are or will be in an uncertain position.

(2) Separate analyses of corporations which are or will be at a turning point in their history.

(3) Annual and semi-annual forecast of dividend possibilities of leading corporations.

(4) A special set of articles covering stockholders' rights.

(5) Ratings of Securities in Leading Industries.

(6) Ratings of bonds, foreign and domestic.

In view of the complexities which may threaten the complacency of business men and investors, special attention will be given the specific situations that will arise, thus giving effect to the greatest possible timeliness. In fact, the timeliness of articles to appear will be one of the outstanding features of our work.

Among the important subjects to be covered in addition to those mentioned are the various vital phases of the money situation, international financial developments, domestic issues of great importance, the efforts toward stabilization of great industries by the leading factors in these industries, new scientific developments having a practical bearing on the future of various types of business and many other subjects of equal importance.

We believe the record of THE MAGAZINE OF WALL STREET in 1927 has justified our hopes that the year about to close would mark the greatest constructive effort in the history of this publication and we feel that our results in the coming year will be of equal value to the individual subscriber or reader.

In The Next Issue

1. ***How 50 "Specialty" Stocks Are Rated***

   —a group of the leading miscellaneous stocks which do not fall within any of the standard classifications, such as rails, utilities, oils, mining and the like. Rather, these issues represent special industries and are in a class quite by themselves. It is among stocks of this type, however, that unusual profit opportunities are frequently uncovered. In this feature, we undertake to compare 50 of the leading issues.

2. ***What Is Wrong with Railroad Consolidation?***

   —thus far the Interstate Commerce Commission, on the whole, has taken a negative standpoint in regard to projected mergers. This has thrown the entire railroad situation up into the air again. What the exact status is and what the investment possibilities are is ably discussed in this penetrating analysis.

3. ***How the Market Acts in Presidential Years***

   —in view of the 1928 elections, the position and outlook for the stock market takes on added significance. This article analyzes the action of the market in past Presidential years and draws conclusions as to future probabilities.

Please See Special Announcement That Will Be of Very Great Interest to You on Page 275

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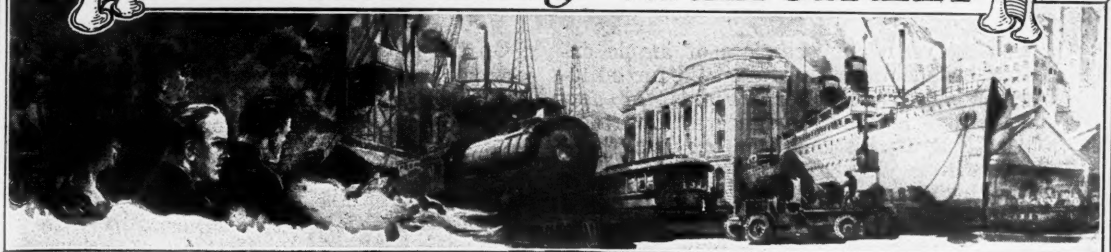
The MAGAZINE of WALL STREET



C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

Recent Developments Indicate Substantial Forward Move in Business to Be in the Making—Position and Prospects of Security Markets

THE unsettlement which took place in the stock market during the month of October inevitably centered attention on the underlying business situatíon. During the decline, the press commented on the progressive reduction in earning power of corporations due to lower prices and smaller production and offered this as the reason for the weakness of the market. Market commentators took this up and the preponderance of bearish utterance gave rise to a growing impression among the public that business was on the verge of a serious reaction. As a matter of fact, the situation to which many observers referred is by no means new. Commodity prices have been declining for almost two years, with the exception of farm prices which have had their periods of alternate strength and weakness. The margin of profit has likewise been shrinking for some time, though the past few months have especially emphasized the situation. Actually, almost the entire year of 1927, with possibly the first quarter as an exception, has proved irregular and in the case of some industries, decidedly reactionary. Individual groups of securities have reflected this situation in a series of declines which have been of some duration.

* * *

The question, however, is whether their regular conditions which have been rather marked this year will continue or whether they merely mark a temporary situation to be overcome in the near future. Events of the past few weeks tend strongly to confirm the latter possibility. Not only are there clear indications of a recovery from the business lassitude of last summer and autumn but the outlook now seems to favor a spirited increase in demand to a point which will probably speed up production to a basis comparable with the most active period of 1926, admittedly a decidedly prosperous year. By far the most important symptom of improvement in business conditions is the real increase in farm income, particularly in the Northwest which for years has been one of the weakest sections of the country, economically speaking. The importance of the great improvement in the general buying power of the Northwest cannot be overemphasized for it has opened up a fertile field for the sale of manufactured products. There seems little doubt that firms doing business in that part of the country will find themselves occupied in filling orders on a larger scale than during any period since the war. The South, too, as a result of a generally improved cotton situation is likely to fare better than last year. Of course, the South is no longer dependent on cotton to the former extent, nevertheless, the added revenue from that source this year should tend to stimulate business in that section.

* * *

Turning to the basic industries, one finds a sustained volume of construction, several percent lower perhaps than in the several

1907 Business, Financial and Investment Counselors "Twenty Years of Service" 1927

preceding years, nevertheless of ample extent to assure a sustained demand for building materials and labor. Funds for new construction are in abundance at low rates, and as long as this condition prevails, there need be little fear of a substantial falling off in new construction.

The steel industry shows definite signs of improvement after a fairly long period of relative dullness. It is confidently expected that automobile production in 1928 will come close to breaking all previous records if, indeed, these figures are not exceeded. Special industries such as farm and electrical equipment, shoe and leather manufacturing, tire, chemicals and others are preparing for a rising volume of demand. Petroleum, metal and sugar industries are expected to be on a more profitable basis.

* * *

As a result of continued high consumption during a period of lowered production, the volume of supplies on hand have shrunk thus bringing about a strong statistical position in many industries. The recent successful attempt to raise steel prices is merely the result of an impoverished supply in the hands of consumers with the result that the price advance forced them to release their buying orders. Such a condition is rather generally typical, the inventory situation being quite sound.

Behind these symptoms of improvement, of course, is the vital factor of continued ease in credit conditions. Banking reserves and those of individual corporations are very strong today with a lending power that is not generally appreciated. Furthermore, the credit excesses of 1925 and 1926, due in large part to the instalment plan of financing then so largely being abused, have been replaced by more conservative methods of consumer financing with the result that a potential danger spot has been eliminated. Furthermore, the speculative element in real estate has to a large extent been reduced and the possibilities are stronger than in several years for a strengthening of the credit basis of real estate mortgage companies.

Looking back over the year 1927, it is not difficult to perceive that it has marked a period of interlude between two long periods of prosperity, one which ended in 1926 and the other about to be ushered in. Barring any unforseeable events, such as wars or other catastrophes, it is to be expected that the next year will provide ample opportunity for business expansion. Furthermore, there seems a possibility for a gentle increase in commodity prices sufficient to exert a beneficial influence on profits.

On the security side, the influence of low money rates may be expected to work to the advantage of investment securities. The bond market seems in a strong position and may be expected to give a good account of itself as long as the money situation remains as favorable as it is today. The stock market as discussed in our last issue offers a problem of individual selection. Nevertheless, attention may be centered on the railroad, petroleum, steel, chemical and mining shares. These five great groups of stocks seem in a position, particularly the railroad shares, to advance to higher levels. Both as to volume of transactions and price, coming markets are likely to break old records. To put it plainly, the stock market seems on the verge of a new period of expansion in which investment issues are likely to give as good account of themselves as during any period in the past few years. While the investor must obey the fundamental precept of discrimination in his stock purchases, he may nevertheless rest content that the basic economic situation of the country is still sound and evidently slated for improvement during the next few months.

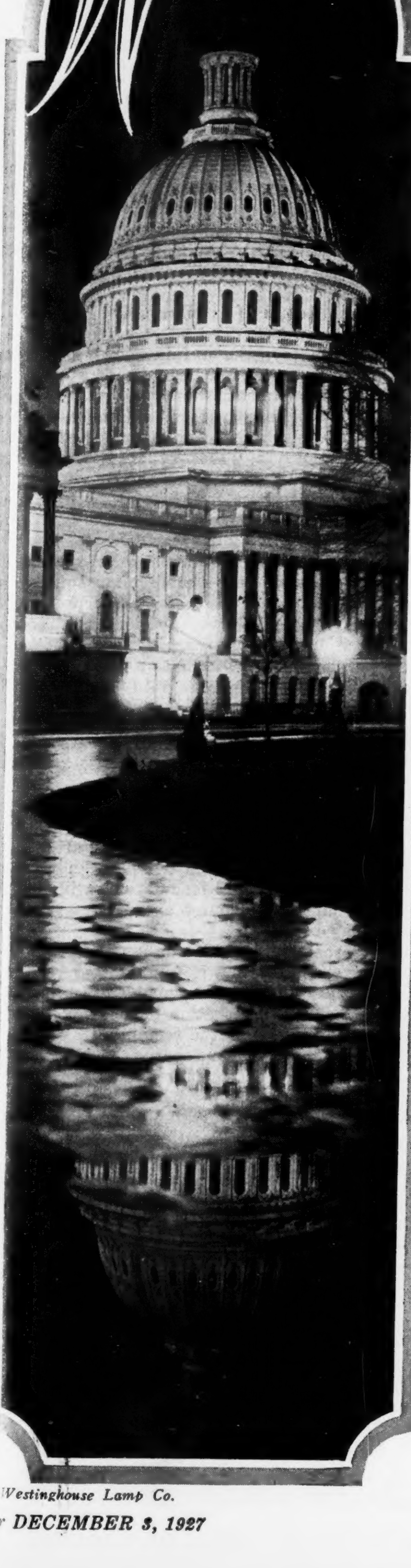
* * *

MARKET PROSPECT

WHILE the above refers to the broader outlook for securities, the present technical position of the market forms a study of rather special interest. Under the impetus of an impressive buying movement centering mainly on the so-called specialty stocks, prices of the latter have been marked up with rather extraordinary celerity. Conditions have changed so radically from the declining market of October, that several hundred separate issues have been enabled to make new high prices for the year, some for all time. This remarkable rebound in market sentiment has found as yet no counterpart in actual business conditions but is due in part to the continued ease in money and its availability for pool operations and a considerably strengthened internal position. From the present momentum behind the market, it seems likely that further progress will be made on the upside before the end of the year. In the meantime, the only disquieting technical feature is the relative sluggishness of the leading stocks. This time, it appears they are likely to follow the special issues rather than lead them. In itself, this would form a precedent of more than usual interest.

Monday, November 28, 1927.

What Congress Plans to do for Business



© Westinghouse Lamp Co.

By THEODORE M. KNAPPEN

THE political and economic weather is unusually favorable for the development of a great crop of would-be laws and speeches, spoken or unspoken, that would solve all our problems and dispel all our ill. As usual in the long session of Congress, records will be made for the approaching elections, especially as 1928 is a presidential year. Individual congressional records are commonly scored for back-home consumption—at least so the makers of those records think—by allotment of points for bills proposed, speeches made, bills reported out and—rarely—for legislation achieved. A speechless member may attain fame as deep because silent but a bill-less member is a luckless one.

Moreover, the era of political good-will and inertia now begins to give signs of waning, revolt begins to stir, the radicals begin to yearn to be radical once more. We are probably approaching another period when those who would right all wrongs and solve all economic problems by "be it enacted" formulas will be loudly vocal, though not soon effective.

Points of Interest

Business is not so good as it was, this profitless prosperity is getting on the nerves of the home-folks. It's worse in feeling than in fact, this busy business and no profits. But feelings are more prolific brooders of discontent than statistics—they're warmer. The home-town merchants are getting a little hot under the collar about chain stores and chain everything—and their congressmen know it. Notwithstanding a general intellectual acceptance of big business there is undeniably a recrudescence of the old apprehension that political liberty is in danger of becoming a hollow shell alongside a solid industrial obligarchy. The horrid front of the new ogre of oligarchy is to be found in the rapid concentration of control of prime-moving power and public utilities. Twenty years ago the popular menace was the railways; they've been bound and hog-tied these many years, and now it's power that threatens to devour the people.

Farm relief is coming back to the 70th Congress with a louder bellow, more fury and more force than ever. A bit of market relief has only made the political farmers more than ever for governmental relief.

Unrest is taking many other forms. Yet, there is something diaphanous about this unrest. It is sulky and talks at times of hell-roaring revolt, and yet it is really timid. The spirit of not monkeying with the precession seems to have calmed the humors of the foremost reformers by bills. The touch of profitless prosperity may perhaps have had a sobering effect all along the line. Nobody really wants to start anything that might have a depressing if not shocking effect on business—and face the consequences next fall of responsibility for a pronounced setback to business.

Opposing this unrest, which isn't quite certain about being more unrestful, is the most powerful and best organized opposition that business has ever put into the legislative arena. The conservatives are standing shoulder to shoulder, and their slogan is—"Let us alone." A dubious contest impends. The leaders who finally attend to whatever is done frankly admit that they have hardly a guess as to what will be done about anything.

One subject may be noted, however, as an exception. This is taxes. They will be reduced—but, say the leaders, probably not much. The little that is to be achieved will be especially interesting, however, to the business world since most, probably practically all, will apply to a single item, the tax on corporation income. For once, all the leaders of the old

"Stop Insanity Wherever It Breaks Out"

(The Regular Republican Forecast)

By Rep. Martin B. Madden, Chicago

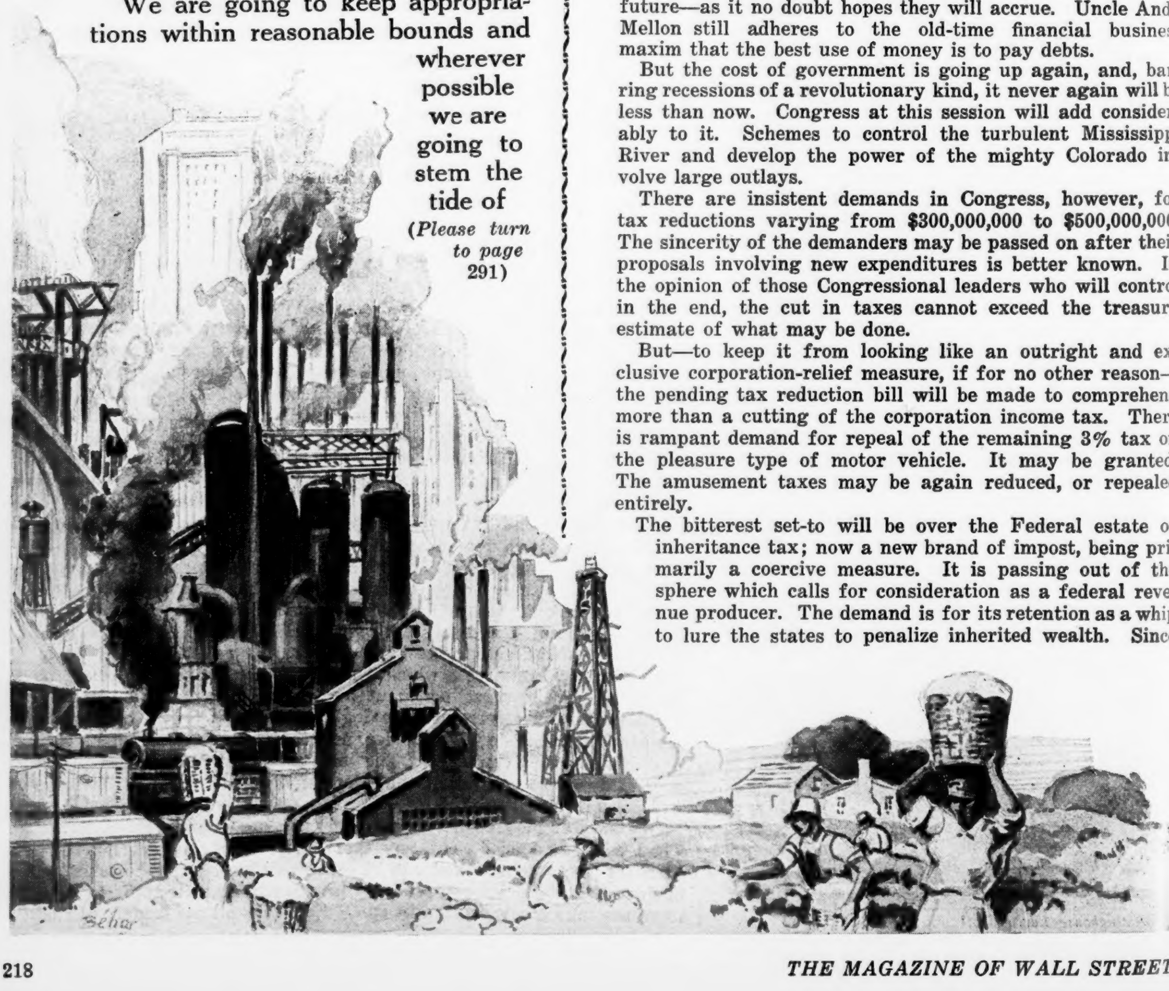
Chairman of the All-Powerful Committee on Appropriations

FIRST, we are going to insist on continuance of the rigid program of economy which has been pursued since the war. Much has been done but still more can be done.

Second we are going to reduce taxes, perhaps not as much as some people hope, but materially. The main item of reduction will be the tax on the incomes of corporations.

Then, we are going to try and stop insanity wherever it breaks out. It will crop out as usual no doubt at this session, perhaps not as violently as at some former times, but we hope to head it off and avoid any harm from it.

We are going to keep appropriations within reasonable bounds and wherever possible we are going to stem the tide of (*Please turn to page* 291)



parties are "for the corporations," which received scarcely any consideration when former post-war tax reduction bills were being framed. In fact, the income tax on corporations is 1% heavier than when war expenditures were at their height, and the yield from that source now actually totals nearly double its highest war emergency peak! Superficially, it might seem inconsistent that corporations are to get relief when there are symptons of stirring revolt against corporate power. But the legislators have learned that all business is becoming corporate. The congressman has heard from the investor, who demands equality of taxation with the partner and the personal business man. Corporation income taxation is too easy picking for Congress to go the whole just way to equality but the stockholder will get the bulk of taxation revision relief. He will come in for benefits via tax reduction ranging from $150,000,000 to $250,000,000, but the sum probably will be somewhere between. The corporation income rate will be cut at least from 13½ to probably 11%, and there is a strong pull to make it 10.

Not Much Leeway for Other Cuts

When enough is done to make a fair showing on that score there isn't apt to be much remaining leeway for other cuts. The Treasury Department, supported by the President and "regular" Republican leaders in Congress, place the minimum total tax slash that can be made safely at $225,000.000. This despite a Treasury surplus of more than $600,000,000 at the end of last year and another of a half billion or more in prospect for this year. Past surpluses—totalling since the war about two billions of dollars—have aided mightily in reducing the war debt and in whittling down the carrying cost of the portion of the debt still owed. The Treasury has no fear that similar timely use cannot be made of surpluses which may accrue in the future—as it no doubt hopes they will accrue. Uncle Andy Mellon still adheres to the old-time financial business maxim that the best use of money is to pay debts.

But the cost of government is going up again, and, barring recessions of a revolutionary kind, it never again will be less than now. Congress at this session will add considerably to it. Schemes to control the turbulent Mississippi River and develop the power of the mighty Colorado involve large outlays.

There are insistent demands in Congress, however, for tax reductions varying from $300,000,000 to $500,000,000. The sincerity of the demanders may be passed on after their proposals involving new expenditures is better known. In the opinion of those Congressional leaders who will control in the end, the cut in taxes cannot exceed the treasury estimate of what may be done.

But—to keep it from looking like an outright and exclusive corporation-relief measure, if for no other reason—the pending tax reduction bill will be made to comprehend more than a cutting of the corporation income tax. There is rampant demand for repeal of the remaining 3% tax on the pleasure type of motor vehicle. It may be granted. The amusement taxes may be again reduced, or repealed entirely.

The bitterest set-to will be over the Federal estate or inheritance tax; now a new brand of impost, being primarily a coercive measure. It is passing out of the sphere which calls for consideration as a federal revenue producer. The demand is for its retention as a whip to lure the states to penalize inherited wealth. Since

deductions from federal estate taxes can be made of 80% of the same kind of taxes paid to the States, the State governments must levy inheritance taxes or toss perfectly good tax money into the Federal Treasury. This is an orientation that involves so many complexities and is so productive of impassioned views that Congress isn't likely to find time at this session to solve the problem by doing more than leave the status quo alone.

The tariff looms mildly as a subject of Congressional attention. The next tussle over this, the oldest dispute anent taxes, may have been drawn perceptibly nearer by the suggestion of the Commission on Farm Relief that tariff duties be lowered for the benefit of agriculture. But if anything of that kind is done, the sponsors of it must move to victory over the breathless form of Senator Reed Smoot of Utah, who, as chairman of the Senate Committee on Finance is in position to block almost any proposal that is athwart the principle of high protection. The maintenance of that principle is the prime passion of the hardest-working and most obdurate member of Congress. Moreover, the pending presidential campaign is, insofar as tinkering with the tariff at this time goes, an insuperable restraining influence.

Farm Relief Again

The farm relief question, which from almost every point of proposed attack, is a problem of business as much as of agriculture, is as much beclouded by group envies, class hatred and dogmatic theory as it has been since the agricultural crisis arose a half dozen years ago. Congress stands ready to make large authorizations of funds for the help of the farmers; who, insofar as they are articulate, want a good deal more than that. It is not unlikely that President Coolidge will find it necessary again to veto the so-called McNary-Haugen plan, or something similar; for the personal and party politics of the situation impels Congress to do something for the farmers. And, barring tariff reduction, there isn't much else that Congress can do by way of something having the appearance of immediate help. The farm problem seems to be moving towards a reference to the country in the campaign of next year.

One of the most certain of prospects is legislation for flood control in the Mississippi Valley, a subject so newly to the front in its present form that no deep-running cross-purposes have developed around it, as will happen if there is long delay in disposing of it. Sound engineering advice, such as that given by Secretary Hoover and the army engineers, is apt to govern what is done.

Uncertainty much confounded attends practically all other problems before Congress. Viewed from an all-embracing standpoint, probably the biggest one, certainly the most turgid one, has to do with power.

Here's the beginning of a tug-of-war that is likely to go on for a long time, and be a repetition in many respects of the now half-century old one that has to do with railway transportation. Electric power with its allies now take on the attributes of an industrial and financial giant second only to the one represented by the steam railways. It now has a declared embassy at the seat of government. In handsome rooms, in one of the new office buildings there, the Joint Committee of the National Utility Associations has opened a Washington establishment—for "cooperation," say its managers, with Congress and the Government.

This impressive committee represents the Nat.

(*Please turn to page* 262)

Neutral With Respect to Business

(A Democratic Forecast of Congress)

By Sen. T. H. Caraway of Arkansas

ASIDE from taxes, I doubt if Congress at this session will deal in important extent with any subject of big interest in a national way to business, says U. S. Senator T. H. Caraway, of Arkansas, one of the leaders on the Democratic side in the Senate. "Hydro-electric power may be an exception, but even this isn't likely to be dealt with comprehensively. We all hope, of course, that a final disposition will be made of the Muscle Shoals establishment; and in disposing of it Congress may give indication of a future policy towards the power industry in general. A big issue in the Muscle Shoals question is government operation. Many Western members are for this but most Souhtern Senators and Representatives in Congress, I believe,

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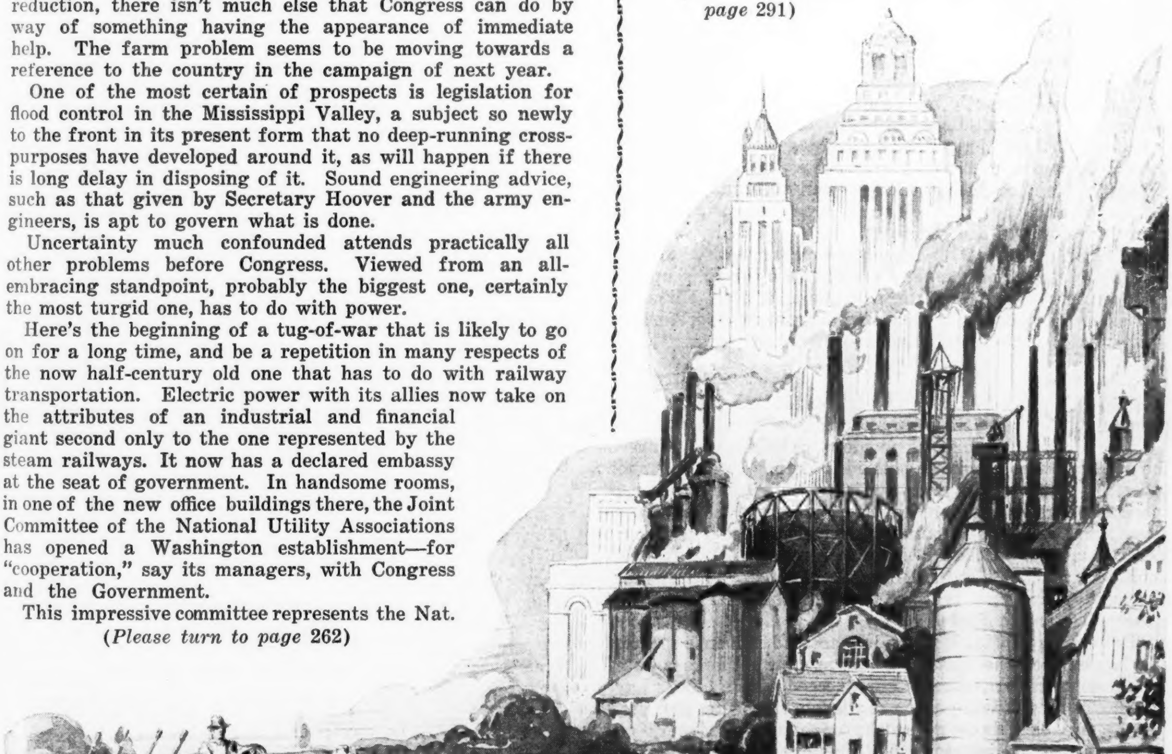

Modern Diplomacy—Case One

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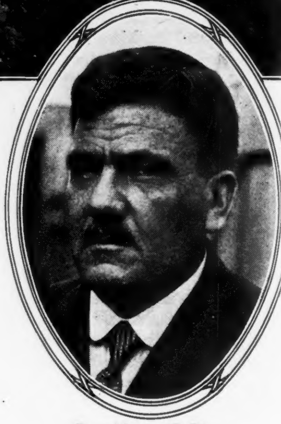


Sending of Dwight Morrow to Socialistic Mexico a Daring Move—Will It Improve Relations? — Companies with Investments in Mexico.

By E. D. KING

Ambassador Morrow

President Calles

WHEN President Coolidge selected Dwight Morrow, partner of J. P. Morgan, as Ambassador to Mexico, to succeed James R. Sheffield, he executed one of the most daring diplomatic moves in recent American history. Mexico, or at least, its more important cities, is a hotbed of socialist politics. For about a generation, it has been a battlefield of contending forces. For the last ten years virtually, it has been controlled by men of faintly disguised socialistic leanings and on some occasions, such as the present, by unqualified socialists.

Dwight Morrow, as his recent connection with the house of J. P. Morgan and company would signify, represents the conservative element in American financial life. His selection as Ambassador to a socialist government, therefore, at least smacks of the highly unconventional.

Tangled Relations With all due regard for his predecessors and their conscientious efforts to establish a more harmonious relationship between the two countries, it cannot be said that they have had much success. It is only a year ago that all diplomatic correspondence was broken off by Mr. Coolidge. In the meantime, the Mexican Government has established itself more firmly than ever in the control of a country with forty millions of people and untold natural resources, a large part of which represents investments by other nations, principally the United States.

The sending of Mr. Morrow has created immense interest and has elicited the natural query as to whether a man of his conservative antecedents can succeed where others have failed. The event will prove the wisdom of the act and until Mr. Morrow has been given the opportunity to work out his plans for the betterment of the present strained relationship between the two nations, opinion as to the outcome, out of decency, must be deferred.

The natural anxiety of the President to restore harmony between us and our Southern neighbor may in part be explained by the vast extent of our investments in that country. There are various sets of figures but one most commonly accepted places American investments in Mexico at over one and a half billion dollars. This represents principally the property of a number of quite large American corporations, of which a partial list is given on the opposite page. While controlled in most cases by important American financial interests, these properties through share ownership are also a matter of great concern to tens of thousands, if not more, of American individuals.

The criticism has been made that in selecting Mr. Morrow, a "Morgan man," as Ambassador, the President has been actuated mainly by the motive of sending someone to collect our financial obligations from that country. In response to this, it is pointed out that in line with American tradition of the highest type, Mr. Morrow has resigned from his Morgan partnership and has eliminated any other financial interest which might prejudice him in the prosecution of his new duties.

It is important to note that the President, who had other considerations in mind undoubtedly than the mere stabilization of American financial interests in Mexico, must have had cognizance of the great experience of the House of Morgan in Mexican affairs. It is only several years ago that Mr. Thomas Lamont, one of the most widely known of the Morgan firm, was entrusted with the mission of adjusting the question of payment by Mexico on her government bonds. That this step was by no means a failure may be suggested from the fact that whereas previously for a number of years, interest payments on these bonds had been suspended, they have since been resumed in part and have been irregularly maintained.

Benefiting from Experience In any event, it has been the business of the Morgan firm to come to as close an understanding of Mexican affairs as possible and it may be assumed, Mr. Morrow in large part has profited from the experience of his firm. It is then undoubtedly the hope of Mr. Coolidge that in sending a man of great experience in Mexican as well as other large financial problems, he has

taken at least a logical step not only in protecting American financial interests in Mexico but in reestablishing the old friendly relations between the two countries.

Mr. Morrow's appointment, of course, must be confirmed by the Senate but the President may take his time about sending the new Ambassador's name up for constitutional approval. In the meantime, Mr. Morrow will have had some reasonable opportunity to convince skeptical Americans that at least there may be a reasonable basis for expecting a definite unraveling of the Mexican tangle.

A Fortunate Development By a fortuitous circumstance, just several weeks after the appointment of Mr. Morrow, it was announced that the Supreme Court of Mexico had upheld the appeal of the Mexican Petroleum Corporation which had protested the application of the famous Section XXVII of the new Mexican Constitution. American investors, of course, are quite familiar with the recent history of the Mexican Government's attitude toward foreign oil companies, particularly American oil companies operating in Mexico. Due to the new law, oil operations of foreign companies operating in Mexico and which have not complied with the Mexican ruling on oil properties, have been compelled to suspend in many cases. The more enlightened attitude, however, of the Mexican Supreme Court, which, it may be assumed, will be maintained in similar cases on appeal, may serve to clarify the oil situation without further diplomatic efforts toward intercession.

In this respect, the position of the new Ambassador, at least tentatively, is basically sounder than that of his predecessor since it would seem that American interests may rely on fair play from the highest Mexican tribunal.

Political Conditions Of even greater consequence than the dispute over oil operations, is the question of political stability of Mexico. Recent attempts toward revolution, while quickly suppressed by the authorities, indicate, nevertheless, an undercurrent of internal dissatisfaction with the present policies of the Mexican Government. Its policy regarding the Catholic Church may have made it more enemies than friends at home, though to be sure ameliorative measures in regard to land holdings by the people of the soil, have served to some extent to allay the natural resentment of the illiterate masses.

From the purely American viewpoint, it is essential that political conditions in Mexico be settled in short order. There is an undoubted prejudice existing in Mexico toward Americans, which is fairly deep-rooted. This has made the operations of American companies in Mexico by no means easy and in many cases very costly. Until internal conditions become genuinely peaceful and until American citizens are regarded with more favor by the Mexicans, it is not clear how American companies and business interests are to be able to operate with a minimum of friction.

South America This, then, is the supreme task of the new Ambassador, to solve in some way the problem of restoring better feeling between the two countries. The government in Washington is realizing, perhaps, more keenly than ever before the vital importance of cultivating the friendship of Latin-Americans. It is admitted that in a number of cases our diplomatic policies in regard to Mexico and South America, in general, have not produced the happiest results. European competition threatens to make inroads in what should be one of our most prolific fields for trade, and European nations may enter the markets of Mexico and South America without the handicap under which we labor of what may frankly be called a definite unpopularity with the masses of Latin Americans.

It is fortunate, however, that the government should be recognizing the implications of this situation and should be making efforts toward its rectification. The sending of Mr. Morrow to Mexico City is merely one manifestation of the more progressive policies of the government in regard to its Latin-American problem. In the meantime, there is reason to hope for a change in conditions which will ultimately resolve itself into a friendly and harmonious unstanding between the people of the North and those of the South.

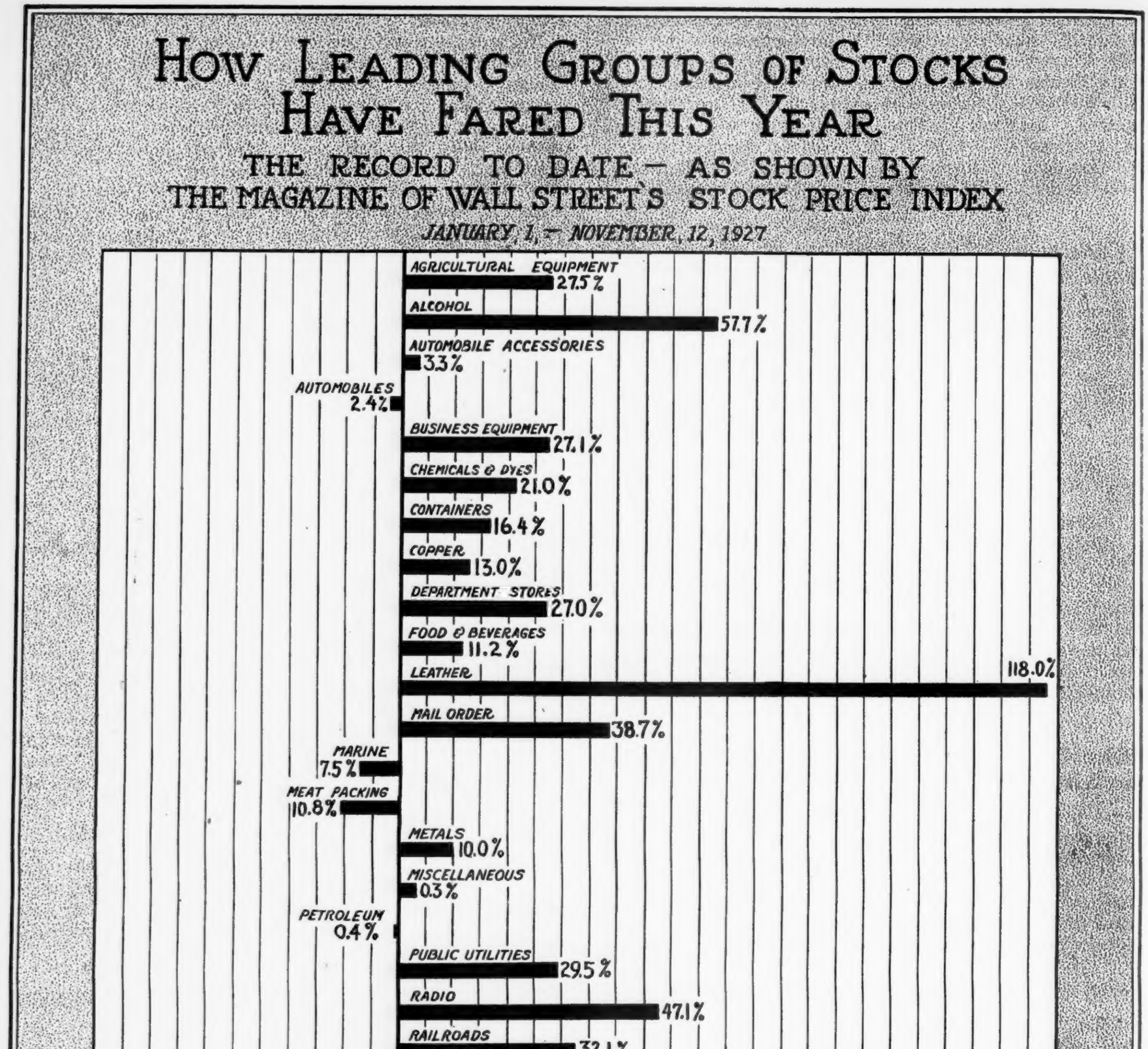
One of the first results of a successful understandng with Mexico would be restoration of confidence in the position and outlook for representative American companies which operate in that country. Earnings would be improved in

(*Please turn to page* 292)

Ratings of Stocks of Companies With Investments in Mexico

	Industry	Div. ($)	Recent Price	Yield (%)	Rating
Ahumada Lead	Mining	..	3½	..	C
American Metals	Mining	3	40	7.5	B
Amer. Smelting & Ref.	Mining	8	172	4.6	A
Anaconda Copper	Mining	3	49	6.1	A
Atlantic Gulf & W. I.	Shipping	..	36	..	B
Atlantic Refining	Petroleum	4	122	3.2	B
Greene-Cananea	Mining	..	83	..	B
Gulf Oil Corp.	Petroleum	1½	99	1.5	A
Howe Sound	Mining	4	39	10.3	B
Int'l. Tel. & Tel.	Pub. Utility	6	152	3.8	A
Marland Oil	Petroleum	..	37	..	B
Mexican Seaboard	Petroleum	..	4½	..	C
Nat'l. Rwy. of Mexico 2nd pf.	Railroad	..	2½	..	C
Pan Amer. Petrol "B"	Petroleum	4	50	8.0	B
Pan Amer. Western	Petroleum	..	22	..	C
Phelps Dodge	Mining	6	121	4.9	A
Royal Dutch	Petroleum	3.08	48	6.4	A
Sinclair Consol.	Petroleum	..	16	..	B
Southern Pacific	Railroad	6	121	4.9	A
Stand. Oil of Cal.	Petroleum	*2	56	3.6	A
Stand. Oil of Ind.	Petroleum	*2½	79	3.1	A
Stand. Oil of N. J.	Petroleum	*1	41	2.3	A
Texas Corp.	Petroleum	3	53	5.7	A
U. S. Smelting & Ref.	Mining	3½	40	8.7	B

* Not including extras. A—Attractive from investment viewpoint. B—Moderately attractive from speculative viewpoint. C—Unattractive at present prices.


HOW LEADING GROUPS OF STOCKS HAVE FARED THIS YEAR
THE RECORD TO DATE – AS SHOWN BY THE MAGAZINE OF WALL STREET'S STOCK PRICE INDEX
JANUARY, 1, – NOVEMBER, 12, 1927
AGRICULTURAL EQUIPMENT 27.5 %
ALCOHOL 57.7 %
AUTOMOBILE ACCESSORIES 3.3 %
AUTOMOBILES 2.4 %
BUSINESS EQUIPMENT 27.1 %
CHEMICALS & DYES 21.0 %
CONTAINERS 16.4 %
COPPER 13.0 %
DEPARTMENT STORES 27.0 %
FOOD & BEVERAGES 11.2 %
LEATHER 118.0 %
MAIL ORDER 38.7 %
MARINE 7.5 %
MEAT PACKING 10.8 %
METALS 10.0 %
MISCELLANEOUS 0.3 %
PETROLEUM 0.4 %
PUBLIC UTILITIES 29.5 %
RADIO 47.1 %
RAILROADS 32.1 %
RAILROAD EQUIPMENT 15.3 %
REAL ESTATE 5.5 %
RECREATION 13.0 %
RUBBER 40.9 %
STEEL 3.3 %
SUGAR 31.1 %
SULPHUR 110.0 %
TELEPHONE 19.0 %
TEXTILES 9.6 %
TOBACCO 13.7 %
TRACTION 4.7 %
COMBINED AVERAGE 13.4 %
50 40 30 20 10
10 20 30 40 50 60 70 80 90 100 110 120
PER CENT DECREASE
PER CENT INCREASE
WS

Millions at Stake on Pending Insurance Reforms

Lower Life Insurance Costs Urged to Increase Investment Return

By ARTHUR M. LEINBACH

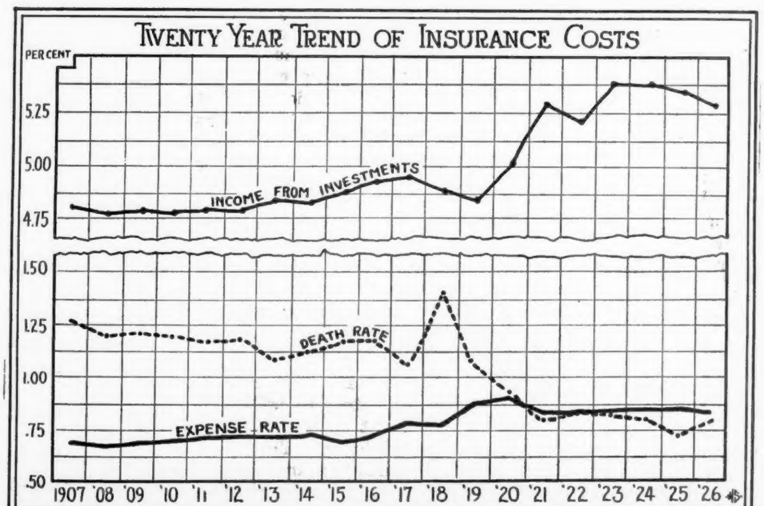
IF some Inquiring Reporter were to stop the first fifty people who cross Forty-second Street at Times Square tomorrow noon and ask their impression of the trend of life insurance costs, he would undoubtedly find that the general impression is that the cost of insurance is decreasing. That the layman should have this impression is perfectly natural and reasonable, for many of the companies have reduced their rates within recent years; others have increased their dividends, which amounts to the same thing.

Yet, it is a fact that the general trend of life insurance *real costs* is upward, not downward. In any discussion of life insurance costs, one is confronted with the apparent paradox, that while insurance rates per thousand dollars of insurance taken out is lower than in past years, the real cost of life insurance is actually increasing. The basis of the calculation of insurance costs, shown in the chart below, is the percentage of "company expense" to mean life insurance in force. This pictures the upward trend of *real* life insurance costs.

No Saving From Huge Growth

The trend shown is contrary to what one ordinarily would expect from the tremendous rate of growth in life insurance sales during this period. For, instead of a narrowing ratio of cost to the insured as the business expands, one actually sees that the years when life insurance sales have taken the greatest jumps, costs have increased in a similar proportion, contrary to the usual notion of lowering costs with increasing sales, that has become a sort of an axiom in American business life.

And in the face of a general downward trend of living costs during the past few years, insurance costs stand out conspicuously as an exception of considerable importance. It is important because it represents a total of over *ten billion dollars* in the invested legal reserves of the life insurance companies of the country. From the standpoint of the fifty million or more holders of life insurance policies, it is even more important, for here life insurance represents a potential, even though unearned "community estate" of some seventy-three billion dollars in the life insurance contracts in force at present.



Within the life insurance fraternity, there is a good deal of discussion about this increasing cost at the present time. So far, this has not influenced its desirability to the public to any extent that one can point to, for, as indicated in a previous paragraph, life insurance sales are mounting in leaps and bounds and show no indication of not continuing to grow in the future. The reason for this, of course, is very obvious. No one really knows the cost of life insurance, except the few thousand actuaries, connected with the various companies and the company officials to whom they render their reports.

The real cost of life insurance is the total of the various items of company expense—known familiarly in the life insurance fraternity as the expense "loading" on premiums.

All other disbursements made by the companies year in and year out go to policyholders in one form or another; death claims, dividends, endowments, payment of surrender values or building up additional protection for policyholders in the carefully invested legal reserves. But the expense checks, when they leave the treasurer's office, are "gone forever" as far as the fifty million holders of insurance policies are concerned. And this expense, per thousand dollars of insurance in force is increasing.

And this is what the foresighted leaders in the life insurance profession are concerning themselves with at present. Not so long ago, a conference of life insurance men was held at Dallas, Texas, where various topics involving the general interest and welfare of life insurance were up for discussion.

Should Costs Be Lowered?

One of the foremost company officials in the life insurance business made a very able address at this conference on a subject that no doubt many of his hearers had turned over in their minds many times before. He expressed the conviction that life insurance costs should and could be lowered—should be lowered for the good of the business and could be lowered if the buyers of life insurance contracts would do their share to help to eliminate waste and capital losses that cost the policyholder money and gain the companies nothing.

Since that time, the subject has been widely discussed by insurance men. The writer has talked with a number of representative insurance men, eliciting such divergent points of view as might be expected from actuaries to the field men; and, from company executives to the company agents. No attempt is made here to report any consensus of opinion. Suffice it to say that within the life insurance business, sentiment is divided.

The thought has commanded such wide attention that it is not improbable that something may come of it, at least to the extent that comes within the scope of the life insurance men themselves. But as intimated before their scope is limited. Life insurance rates are determined on a mathematical basis. This protection is sold today for what it cost. If it were sold for less it would not be real protection. Whether life insurance can be made to cost less in the future, depends to a

very large extent upon the attitude of the millions of men and women who buy life insurance, as well as the attitude of the companies concerning costs.

This publication is read regularly by the largest group of moneyed men reached by any financial or banking publication in the world. And while the nation's 2,624 million dollar annual life insurance bill is being discussed "from the inside," it is an opportune time to outline to the layman, the "mysterious" whys and wherefores of life insurance costs. It is in this spirit that this article has been prepared. Lest these paragraphs be misinterpreted as a *critique*, let us state before entering further into the discussion that life insurance is provided for the protection of the American people today on the fairest and soundest basis that the many thousands of honest and capable men in the profession have it in their power to do so.

The current consideration on life insurance costs referred to here has been crystallized to a large measure by an address delivered by William Montgomery before the American Life Convention which he chose to give the title, "Can the Cost of Life Insurance Be Reduced?" Mr. Montgomery is the president of one of the oldest fraternal insurance associations in the United States, operating at present as a mutual old line legal reserve company, controlled by its policyholders and offering the lowest participating rates of any legal reserve company in the country to a limited membership. He enjoys an enviable reputation in the life insurance business as a thorough student of insurance.

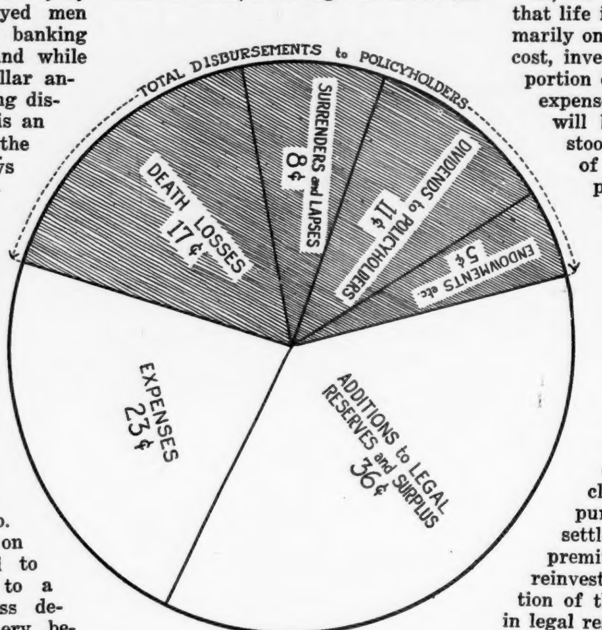
"For the Good of the Business"

In calling the attention of his fellow life insurance officials to the matter of costs, Mr. Montgomery views the problem purely and simply from the standpoint of mutual advantage to the life insurance business and the public at large. The following, quoted from an authentic record of his address, typifies his attitude and the basis of the discussion now current:

"Every progressive business in the land is today analyzing itself to see if economies of management cannot be effected; if waste cannot be eliminated; if production cannot be increased without additional cost; that both the business and the public may benefit thereby.

"In this commendable endeavor, seemingly no stone has been left unturned, no avenue unexplored. . . . [But] Have the life insurance companies kept pace with this great movement? Have they assayed every item of expense and explored every avenue of cost? Have they analyzed their business methods from the standpoint of waste to see if they can reduce the cost to the consumer?

"There is a well defined feeling all over the land, a feeling that is increasing in volume and intensity, that the cost of life insurance can and should be reduced. This feeling is not to be wondered at. Many of the companies have reached a size that staggers the imagination and the business increases at a rate undreamed of a few years ago. Reservoirs of wealth that the human mind cannot grasp have been accumulated and, from the inherent nature of the business, must accumulate even more rapidly with each succeeding year. . . . If these accumulations do not point the way to economy of management and reduction in cost, will not the people naturally ask, 'To what purpose is their accumulation? What real benefit are they to the public, so far as cost is concerned?'"



How the Insurance Dollar is Spent

The figures of life insurance costs, which Mr. Montgomery quotes to his fellow life insurance officials as representing the real cost of life insurance, are the same figures which are used here and plotted on an accompanying chart.

Much of the discussion which is now going on in insurance circles, and a good deal of the address itself which precipitated this discussion is couched in technical terms. For this reason little of the address will be quoted here. But to make the discussion comprehensive to the layman, an explanation appears on page 225 of how insurance rates are calculated and how they are put to use for the benefit of the policyholders. The author is not a life insurance man, and analyzes life insurance costs from the point of view of one layman to another. While company actuaries may call the explanation incomplete or imperfect, for the very reason that it is not prepared by an actuary, it probably will be understood by the layman.

If, for instance, one grasps the idea that life insurance costs are based primarily on three factors, i. e., mortality cost, investment income of the reserve portion of the premium and company expenses, then all of what follows will be much more easily understood than the usual discussion of life insurance agents with prospective clients. The writer has frequently heard the statement made by agency men (and undoubtedly many of his readers have heard the same claim) that life insurance costs nothing. Furthermore, the agents then sits down and *proves with figures* that it cost nothing under certain prescribed conditions and over a period of years. The claim, of course, is nonsense pure and simple. All insurance settlements are paid out of the premiums and the principal and reinvested income from that portion of the premium that is invested in legal reserves.

In order to avoid laying too much or too little stress on the particular figures of any one or any group of companies, let us look to the statements of all of the leading companies and review some of the aggregate figures shown in these reports. Rather comprehensive figures of income and expenditure for the year ended December 31, 1926, for 322 of the leading ordinary life companies and industrial companies are now available. This group has about 102 million individual policies outstanding representing some 73 billion dollars' worth of life insurance in force. Last year these companies collected some 2.6 billion dollars in premiums from policyholders. In addition they received a total of 582.8 million dollars in dividends and interest from investments. Including returns in rents and other receipts, the total income received by these companies last year was 3,330 million dollars. What these companies did with this stupendous sum is worth recording.

How 3⅓ Billion Was Spent

About one-third or 1,206 million dollars went into the reserves required by law to insure payment of the new insurance in force, together with the surpluses that the companies set up to further fortify their ability to meet all claims of policyholders as they may become due. This left 2,134 million dollars to be spent by the companies during the year. The layman usually holds the impression that most of the disbursements of a life insurance company go to pay death losses, matured endowments, annuities and disability benefits. These items are the insur-

ance benefits that most of us think is the "it" of the life insurance business. Yet death losses last year for all these companies took only 569 million dollars. All insurance benefits, including death losses, endowments, disability, etc., amounted to less than 625 million dollars or only a little more than half of amount left over after building up suitable protection for insurance in force and less than one-fifth of the total income received.

The largest single item of disbursements is company expenses; agents' commission, salaries, medical fees, taxes and other company overhead which totaled 750.5 million dollars—a good deal more than the total disbursements in insurance benefits. This is one of the items that is now being discussed in connection with attention currently being centered on life insurance costs. Of this more later. There is another important item that has much to do with present insurance costs to the policyholder; this is the item of policy lapses and surrenders which totaled over 269 million dollars last year. It is in this direction that the attitude of insurance buyers comes to bear on present and future insurance costs. Due to liberal allowances made on surrenders and lapses, they are at best of no profit to the companies or remaining policyholders, in addition to representing a diminution of business that is costly to replace.

A $360,000,000 Overcharge

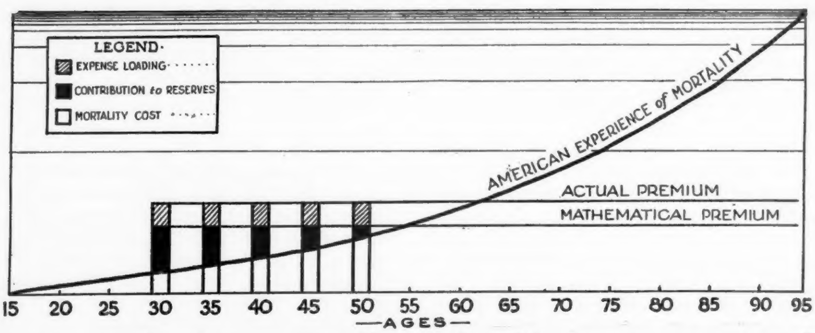
There is still one item of some 360 million dollars that remains to complete our description of the disbursements of life insurance company income last year. This is the amount of dividends returned to policyholders by the mutual companies. The present method of charging more than a reasonable expectancy of what is needed and returning what is left over has deprived policyholders last year of the use of this 360 million dollars and the income that they might have obtained had they not been required to pay out this "over-charge." Is it now being questioned by some foresighted insurance men whether this practice actually adds to the safety of insurance in force, in view of the fact that it is retained for one year only. The fact that this same group of companies had surpluses of over 120 million dollars on hand as "extra protection" over and above the liberal policy reserves as required by law, also leads to some doubt concerning the "necessity" of over payments.

A summary of the above figures is shown graphically elsewhere on these pages. Here again the figures give a "picture" of how one's insurance dollars are spent by life insurance companies —not an exact mathematical study, of course, but essentially a true picture. But lest the objection be raised that merely one year's figures do not show the true experience of company expenditures and the relation of such expenditures to the advantages obtained by holders of insurance policies, a more exact mathematical study will be presented below.

It must be granted at once that over a period of thirty years the experience of the leading companies represents an entirely fair illustration of just what benefits policyholders get from their

(*Please turn to page* 299)

How Life Insurance Rates Are Determined



The curved line in this chart shows roughly the yearly increase in the death rate for each 100,000 average American people at various ages. This is known as the American Experience of Mortality. A group of policy holders must pay enough each year to meet this theoretical death cost of the group. As the yearly death rate increases rapidly at the advanced ages, it would be expected that every year one's insurance premiums would increase correspondingly to the rising death cost.

In order to avoid a sliding premium scale, however, and to provide instead a level premium rate, a higher amount than the actual mortality cost is charged in the early years. This "extra amount" in effect is held by the company in trust for the policyholder and invested at compound interest so as to meet the higher mortality cost in later years without advancing the rate to the insured. This extra amount belongs to the policyholder and represents the "investment value" of the policy—also known as cash value; loan value, or surrender value.

The line designated as the Mathematical Premium is placed sufficiently high so that the Contribution to Reserves in the earlier years, with the compound interest it earns when invested with the legal reserves of the company is just exactly enough to meet the expected mortality cost at the time the policy is taken out. The interest to be earned is usually calculated at 3½ or 4 per cent. As the mortality cost increases each year, the amount of the Mathematical Premium that is devoted to the policy reserve decreases until finally the investment reserve is sufficient (together with annual premiums) to meet the expected mortality cost. To the Mathematical Premium, is added an arbitrary amount to reimburse the company for its ordinary expenses and commissions; the sum of these two amounts representing the actual premium that the insured pays each year. In actual practice, the "expense loading" in the first year is higher than in subsequent years, but the illustration above, imperfect as it may be, will serve to illustrate the part that expense plays in determining insurance rates, at assumed amounts.

It will be seen that this premium is based on three factors; an *assumed* mortality rate, an *assumed* rate of interest to be earned, and an *assumed* expense rate. The mortality tables used by the insurance companies are usually old ones that show a higher mortality than the companies actually experience. The income earned on investments is now higher than the percentages usually used in calculating rates. In the case of the mutual companies (whose premiums are higher than non-participating companies) the saving from these items is returned to the policyholders each year in the form of dividends. Any savings in assumed expense is also returned in dividends.

The above explanation refers primarily to Ordinary Life rates, which is a contract whereby the policyholder pays a premium each year until he dies. But should he pay a higher amount, his premium provides a larger contribution to the policy reserve. When this reserve represents a sum sufficient to pay mortality costs, *without adding a premium payment each year*, the policy becomes a Paid-Up policy. In a Twenty Payment Policy, the rate is set high enough so that the policy becomes fully paid up after twenty annual payments. In a similar way, when the policy reserve equals the full amount for which the policyholder is insured, the policy automatically matures. While in a sense every policy is an endowment if a sufficient number of premium are paid, policies known as Endowment policies can be made to mature at any time by fixing the rate high enough so that the reserve of the policy value equals the face value *at the time desired.*

America's Long Purse in 1928

The Fundamental Problem of the Present Economic Situation and a Striking Solution of the Difficulty

By H. B. BROUGHAM*

ONE of the astonishing facts brought out in this remarkable analysis of the underlying economic situation in the United States is that the Government by pursuing a policy of debt elimination, under the conditions which have prevailed during the past several years, has unconsciously been making for price deflation. Perhaps in this fact may be found the reason for the declining prices of recent times.

IT is now less than a year to the close of the Presidential campaign of 1928. Will the Long Purse and the Full Dinner Pail serve as slogans in that campaign, or has the educated business sense of the community advanced to the point of leaving the management of the "business cycle" to non-partisan business heads and advisers of the government?

Fair weather, bumper crops and other dispensations of Providence making for prosperity have traditionally been seized upon by the politicians as reasons for continuance in power. Contrariwise, "calamity howlers" have tried to upset the administration by making it responsible for floods and famines. Will the good old custom be followed next year?

In his latest message acquainting Congress of the state of the nation the President sounded the keynote of prosperity. But Mr. Coolidge has his challengers within his own party. The rift in the Republican ranks, visible in the candidacy of former Governor Lowden, reveals in support of a Progressive candidate the economic discontent of millions who live in rural territory.

Against "Standpatism"

On their side, of course, the National Democratic strategists are busily shaping their appeals for 1928 in behalf of this manifestation of inter-sectional discontent. Indeed, the issues of the World Court and of American Imperialism may have small influence on the Presidential campaign compared with the domestic issue of economic adjustment. If the benefits of present comparative prosperity can be spread to the whole people with assurance that it will be continued, it may be expected that the present administration will claim the credit for a large share of it.

But there is the insurgent Senator Capper of Kansas, who predicts that the business men of the West are preparing to rise with the farmers against any manifestation of "standpatism." Ex-Governor Lowden, too, holds both the government and the universities responsible for their failure to plan distribution of the nation's goods so that "the happiness and well-being of the average man and woman shall be steadily advanced." Even from the President's cabinet, James J. Davis, Secretary of Labor, observes with dismay that notwithstanding the growth of ten million in population since 1919, "our factories are supplying the needs of the entire nation with seven per cent fewer workers." In his Labor Day speech, Secretary Davis, asked:

"Is automatic machinery, driven by limitless power, going to leave on our hands a state of chronic and increasing unemployment? Is the machine that turns out wealth also going to create poverty? Is it going to give us a class of the permanently jobless? Is prosperity going to double back on itself and bring in distress?

In like strain, Owen D. Young, of the General Electric Company, deplored, in a recent address at Harvard, the failure of modern business—not, be it observed, the failure of politics—to solve the problem of unemployment. This business failure Mr. Young called the "greatest economic blot on our capitalistic system." "If we learn how to adjust production to our consumptive needs," he declared, we can go on without alternate booms and depressions, increasing production and enjoying its benefits.

Doubtless because Mr. Young champions such views, ex-Secretary of the Treasury, Carter Glass, has "boomed" him for the Presidency. Whether nominated or not, it might be expected that Mr. Young would never stand for a past prosperity attained by providential chance. His platform is that of generally enlightened business, for the permanent abolition of "hard times" according to sound economic principles, in behalf of both the rural and industrial halves of the nation. This already forms a dominant issue that has no dependence on politics, for the solution of which the con-

* Executive Secretary of the Pollak Foundation for Economic Research.

servative East and the disaffected West might well join in non-partisan endeavor.

Issue of "Underconsumption"

It is in the field not of politics but of applied business principles that the theory of the "underconsumption" school challenges boldly the fundamentals of the present prosperity of the East, declaring that it can be permanently maintained and extended only by definite changes in national policy. If this doctrine prevails, the precedent of the old-time political Dinner Pail campaigns may lapse.

Yet tradition dies hard. On the record of great comparative gains in well-being during the two administrations of President Coolidge, the Republicans have lively hopes of again sweeping into power. In both his latest annual message and in more recent pronouncements, Mr. Coolidge notes the "perfectly astonishing result of a reduction in the index-price of commodities and an increase in the index-rate of wages." We have secured, the President adds, a "lowering of the cost to produce and a raising of the ability to consume. Prosperity resulting from the causes," he continues, "rests on the securest foundations. It gathers strength from its own progress."

Mr. Young and those who believe with him that the problem of adjusting production to consumptive needs must be solved in a business way, might be expected to question this statement. They might ask what assurance the President has that a genuine prosperity has visited the whole country, or that it will be secure and lasting.

Recent Gains in Real Earnings

The Republican leaders are free to reply by extolling the record of recent economic gains. It is true that during the past six years the nation has experienced a greater increase in physical productivity and in real earnings—that is, an increase in the amounts of goods which the average wage would buy—than during any similar period of industrial progress.

Within the past five years the average productivity per worker in the factories of the nation has increased by one-third, as contrasted with the twenty-year period from 1899 to 1919, during which the average worker's productivity had gained only 4%, or one twenty-fifth!

This is taking into account the productivity of both clerical and manual workers, which for two-thirds of a generation had increased at the average rate of only one-fifth of 1% a year. Then productivity suddenly leaped to an increase of 7% a year, or thirty-five-fold the yearly increase achieved during the two decades subsequent to the second McKinley campaign!

Yet that was a "campaign of prosperity," which started with the workmen's parade at Youngstown, Ohio, that jubilantly hauled a mammoth dinner pail typifying universal well-being and satisfaction with a Republican regime. With how much greater plausibility the Republicans now "point with pride" to the present-day industrial record.

Coupled with this recent increase in physical output, is the finding by the National Bureau of Economic Research that the average income per person gainfully employed in the United States has risen above $2,000, and that this income will buy 36% more in goods than the average income of 1921.

It is small wonder, in the face of such a record, that William Allen White, after a visit to the White House, should describe Mr. Coolidge as waxing "mystical" about the degree of prosperity that has come to the nation under his administration.

Missing—Two Million Workers

But Paul H. Douglas, whose exhaustive studies of "Real Wages" are about to be published by the Pollak Foundation for Economic Research, sustains Secretary of Labor Davis, in his statement that since 1919 a decrease of 7% has occurred in workers employed, notwithstanding the population has grown by 12%. It is apparent, Professor Douglas declares, that there "are well over two million workers, who are not employed in manufacturing, agriculture, or railroad transportation, whose industrial whereabouts are unknown."

Whither have these two million workers gone?

No doubt many of them are employed in garages and filling stations or in highway building, on which the public last year spent well over a billion dollars. But making all allowances, Professor Douglas reports, from evidence prepared by public employment agencies and charitable organizations, that a "rather high percentage of unemployment and of short-time in the country" prevails.

Commercial Failures, Falling Prices

Then there is the persistent decline in the general price level of commodities. To offset this, either production must continue to be vastly cheapened per unit of output, or a scaling down of profits and wages will become imperative. The records of increased commercial failures during 1927 show

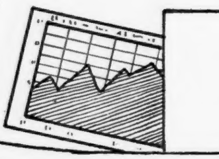
(*Please turn to page* 280)

"Can He Make It?"

New Elements in the Technique of Market Diagnosis

A Series of Six Articles

by The Magazine of Wall Street's Market Expert



Third Article

The New Significance of Yield

ONE of the most startling transformations that has come over the habit of thought of investors is their growing immunity to such an important influence as the yield on stocks. Except for inexperienced investors or those actuated solely by desire for income, it is doubtful if the yield on stocks, most particularly that on investment stocks, plays any important role in the decision of the modern buyer of stocks.

To understand this on face baffling situation, it is necessary to understand the psychology of the present-day skilled purchaser of stocks. Whereas in former days, yield on a stock was a very important consideration in its purchase, today this consideration has given way to a large extent to the desire for capital enhancement. In other words, investors are much less interested in present or even, in many cases, eventual dividend possibilities than they are in the probability of an enhancement in the equity value of their stocks.

Varieties of Distribution

The investor may receive the benefits of his company's prosperity in several different ways: First, he may receive it in the form of straight cash dividends, increased from time to time in the judgment of the directors; second, he may receive it by way of part cash and part stock dividends, or, what amounts to the same thing, part cash and part a split-up of the shares; third, he may receive either one or both of the above mentioned, including a cash return, but in addition valuable subscription privileges or "rights" to subscribe to new stock at an attractive figure; or fourth, he may receive any one or all of these benefits (or none at all) and or a steady rise in the market value of his stocks.

Now the point is, it can make very little difference to the investor whether he receives his rewards through cash dividends, stock dividends, "rights" or in a plain ordinary market advance in his stock. That the actual cash return or the equivalent in dividends means little in the determination of experienced investors is shown by the extremely small yields available on stocks which they are accustomed to buying such, for example, as Woolworth, General Electric, Atchison, Reading and others of the high-priced investment stocks.

The public has been educated over the past few years to believe that a progressive increase in the earnings of a company will be reflected at least proportionately in the market value of its stock. Thus, they feel that if the income of a company doubles in a period of several years, its stock will at least double in value during that period. Curiously enough, the fact that a company may pay out only a small part of its increasing earnings in dividends is construed as a bullish factor of great importance. Take two companies, both of which have averaged $8 per share in earnings over the past four years. Each has paid $3 per share in dividends for the first two years of this period. Company "A" increases its dividends to $4 and then to $6. Company "B" continues to pay $3 in dividends. The chances are almost certain, other things being equal, that by the end of the four-year period the stock of company "B" will be selling materially higher than the stock of company "A" though the dividends of the latter are twice as high as those of the former.

The reason for this is that the nearer the rate of dividend to the earnings, the less the opportunity for the company to compound its earnings by satisfactorily investing its surplus. A company which has paid out the greater share of its earnings in the form of dividends has to that extent forfeited its opportunity to expand its business. Only in certain types of business such as, particularly, mining and oil, may a company pay out a very considerable share of its earnings in dividends for here, with natural exhaustion of physical assets, the investor is entitled to an immediate return on his investment in proportion to the risk of ultimate exhaustion of the mine or well. But in manufacturing industries, or in service industries, such as railroad, shipping and public utility, the fact that a company may be paying out a larger dividend does not necessarily vouchsafe a high price for the stock. If an unusually large percentage of earnings is eliminated through process of dividend payment, the probabilities are that the skilled investor will not be so enthusiastic about its future as if a fairly large part of earnings were withheld for improving the company's position.

The Vital Factor

The reader must remember in estimating future market probabilities that the most important consideration of all is the capacity of the company to increase its earnings. If a sufficiently large surplus of earnings has been saved through conservative dividend payments, the company is in a superior position to expand its activities and thus its earnings. When it is clearly ascertainable that the limit of progress of a company has been reached, the investor is entitled to receive the greater part of any earnings that may be available. Until that time, he should prefer to cash dividends that type of management which will assure the company the opportunity to grow.

This is the essential factor behind the continued advance in the stocks of the most powerful corporations. Under no circumstances could the tremendous advances in the price of many of these securities be explained on the ground of cash dividend return or the equivalent. But the fact that by withholding dividends these companies have either been in a position to expand their business and thus create new opportunities for income or that they have "piled up" impressive surpluses available for distribution in one form or another, is the answer to the high prices of many investment stocks.

Hence, the point which is taken into greatest consideration by the market, or, what amounts to the same thing, experienced buyers of securities, is the future capacity of a company to earn money. In other words, the prospective earnings of a company are what determine market price, and dividends have very little to do with it. This can be checked up by comparing the figures given in the accompanying table. Practically without exception the stocks offering the highest yields are those of uncertain earning power or where there is little margin between earnings and dividends, and the lowest yields are those of greatest earning power.

The New Emphasis

Now, it has always been true, in a general way, that earnings or some such special factors as a very large surplus or equity rather than dividends have influenced skilful buying of stocks. The difference between former times and the present day consists of the tremendous emphasis placed on earnings, an emphasis so keen that it has virtually obliterated dividends as a real market factor. Over a period of years, investors have learned that their companies can earn more with surplus earnings than they could if the same earnings were disbursed in the form of dividends. Of course, the ultimate object of a stock investment is to secure a return but if the "return" is in the form of enhancement in the price of the stock rather than in actual cash dividends, the investor rightly feels that he has little of which to complain.

In other words, the attitude of present-day investors is one of keen interest in stock price possibilities and a subordinate interest in dividends. Nor is this as speculative as it sounds. As between an individual investor and a company, guided by capable management, the chances are that the latter will be able to earn more with an investor's money than he will be able to do for himself, unless he actually goes into business for himself. Since this type of management is what produces a progressive increase in the value of a stock, the investor always has available to him an immediate means of converting this added value into cash, through the simple medium of selling the stock in the market. Hence, as many investors feel today, they prefer to secure their return through enhancement in capital value than through the ordinary course of dividend payments.

The basis, then, on which stocks have been advanced to a point where they offer minute yields is clearly understandable as resulting from a situation in which company earnings have been allowed to compound at a rapid rate through investment in new properties or expansion of business. This, at least, is the theory on which purchases of such stocks as National Biscuit, Woolworth, American Can, General Electric, and others of the same type, are made, and accounts for the fact that the high prices of these stocks holds no terrors for the investor who has made up his mind that companies of this type are destined over a long period of years to continue adding to their business, and, hence, to their profits.

A Vicious Circle

With this view there can be no quarrel. However, resulting in part from this newer attitude of investors and in part from the protracted ease in money rates over the past few years, there has arisen a conception of market values which seems bound inevitably to reap a drastic penalty. Reference is made to the degree to which investors have been accustomed to ignoring the yield factor. Arguing first that the prospect for higher stock prices warrants low yields and second that low yields on investment stocks indicate developments which would warrant higher stock prices, they have argued themselves into a vicious circle of reasoning, so much so that reduced to its essence, the conclusion would be that the higher the price of an investment stock the greater the guarantee of still higher prices. Hence, investors of less than necessary experience have been going about making selections of stocks offering exceptionally low yields on the theory that the stocks must advance if the yield is low.

Naturally, this type of reasoning has facilitated the marking up of stocks of less than real investment value to a point where they have matched investment issues from the viewpoint of low yield. While there is an obvious justification, in many cases at least, for investment stocks to sell at a low yield basis, it does not follow that all stocks yielding small returns are investment issues. Hence, the mere fact that a stock is yielding a small percentage may not be taken as an index of real value.

The converse is also true. Now that the public has been taught that a yield of considerably more than average indicates a degree of risk, there has been an almost total elimination of high-yielding stocks from consideration, at least so far as the more capable types of investors are concerned. This will explain why issues yielding 6, 7 and 8% have been, on the whole, neglected by investors though the earnings of their companies may be showing satisfactory progress.

It is clear, then, that the public is swinging a bit too far in its ideas on security values. Granted an originally justifiable argument in favor of sound stocks yielding low returns, they have stretched this argument to indicate a high degree of value for all stocks offering low yields. Also, from the originally sound argument that high yields indicate danger, they have developed this point to include all stocks which offer high yields. The first theory may be resultful of loss in the case of issues which are offering low yields, and the second may result in sacrificing opportunities in the case of stocks giving large yields.

How Yields Compare on Representative Stocks

$4 Dividend	Price	Yield (%)	$5 Dividend	Price	Yield (%)	$6 Dividend	Price	Yield (%)	$7 Dividend	Price	Yield (%)
Atlantic Refining	120	3.3	Macy, R. H.	235	2.1	Case Threshing Mach.	278	2.1	Baldwin Loco.	250	2.8
Columbian Carbon	100	4.0	Woolworth, F. W.	195	2.5	Int'l Silver	196	3.0	Pac. Tel. & Tel.	150	4.7
Chic. & North.	91	4.4	Amer. Radiator	136	3.6	Int'l Tel. & Tel.	151	3.9	U. S. Steel	144	4.8
Westinghouse Elec.	84	4.8	Consol. Gas	115	4.4	Union Carbide & C.	140	4.3	Southern Rwy.	140	5.0
Goodrich	75	5.3	Montana Power	103	4.9	Southern Pacific	121	4.9	Ill. Central	133	5.2
Bklyn-Manh.	59	6.8	Youngstown S. & T.	84	6.0	Mack Truck	101	5.9	Tobacco Prod.	104	6.7
Pan. Am. Pete. B	49	8.2	Amer. Sugar	72	6.9	Calumet & Ariz.	92	6.5	Equit. O. Bldg.	92	7.6
Howe Sound	39	10.3	Studebaker	56	8.9	Stewart-Warner	72	8.3	Consolidated Cigar	78	9.0

How to Use the Guide*

AS the year draws to a close, it is customary for clever business men not only to take stock of their assets and liabilities but to examine closely into the reasons for the past year's successes and failures. After careful consideration of all the factors affecting their business, retaining the strong features and casting aside the weak, they place themselves in a vastly improved position to enter the new year with confidence in another successful record. The investor will find it profitable to follow this method, carefully examining his list of security holdings, and making the necessary adjustments even though this may amount to a confession that his past selections were not all that could have been desired.

It is among the purposes of this reinvestment section to afford investors an opportunity to size up their own holdings with those recommended by our Staff. The securities here presented have been selected with great care as to actual intrinsic value and future possibilities. So far as is humanly possible to predict in advance, we believe the selections are sound.

They have been divided into the various leading groups of securities with suitable comment calculated to give readers a quick but comprehensive view of the actual position and outlook of each group. The tables include only sound investments but in each case consideration has been given to the possible profit element. Not a single issue has been recommended which, in the estimation of the editors, fails to hold forth promise of an eventual appreciation in price.

The recommendations have been especially adapted to year-end reinvestment requirements and investors with funds ready to be employed should find these securities of pertinent and immediate interest. They may also be utilized by investors who at present have no funds to invest but who may find it desirable to switch any of their present holdings into those recommended in this section. Practically all the securities listed herein represent seasoned issues with a long and satisfactory record. They comprehend in the main, the desirable combination of security of principal and income, ready marketability, and possibilities for price enhancement, though the extent of the latter, of course, depends on the nature of the security recommended. Each investor will find in this set of recommendations, securities ideally adapted to his own specific purpose.

*Reprinted from the December 4th issue of 1926.

Financial Stocks

BANK stocks have been traditionally profitable investments for long term retention. The investment return has been realized in their growth of value, however, rather than in the immediate income payable in cash dividends. For a true measure of investment advantage in banks stocks, therefore, the inherent growth in value is an important consideration. Especially during the past ten years, the enhancement in market values, merely reflected the growth in income producing resources of the large metropolitan institutions and the piling up of book values in growing surpluses. Capitalization of such accounts through stock dividends have added to the value of the holdings of the investors who include bank stocks among their investments. Capital increases, providing valuable rights to shareholders, has been another source of profit. Substantial market appreciation during the year, reflecting these benefits, is such that future growth in market values will probably be slower from this point than during the past sixteen months.

INSURANCE stocks have moved in sympathy with bank stocks throughout the year but their price gains have not been in the same proportion. While the insurance companies, like the banks are profiting from their growth in capital assets, there are other factors which tend to place their shares in strong position. The fire insurance companies, which enjoy the greatest investment attention, seem likely to have a record year in 1927 from the standpoint of per share earnings of most of the companies. Improved underwriting methods and effective fire prevention campaigns are important contributions to this trend. Following years of unprecedented growth in volume of business, it may be said that these companies have never been so strongly situated as at present.

Bank Stocks

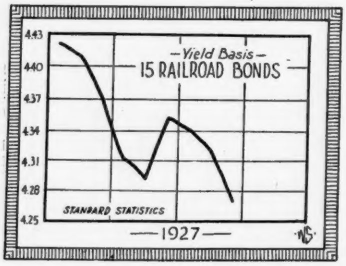
Name	Bid Price	Yield (%)	REMARKS
Chase National	5.75	3.10	The country's second largest banking institution. Present dividend earned by margin which does not reflect present amount of resources.
Chatham & Phoenix	525	3.03	Resources grew from 93 million in 1916 to around 300 million. Pays a $16 dividend which is earned by a margin of around $8 a share.
Corn Exchange	595	3.31	Well managed institution with conservative loan policies and operating extensive branch banking system. Earned $25 a share.
Empire Trust	435	3.61	Sale of new stock added 4 million to surplus. Showing increasing earnings from Trust department. One of the smaller banks, but showing encouraging growth.
Seaboard	770	2.04	Recently increased capitalization from 6 to 8 million dollars, offering valuable rights to shareholders. Earned $38 a share on old stock.

Insurance Stocks

Name	Bid Price	Yield (%)	REMARKS
American Alliance	440	3.64	Has liquidating value of $310 per share. Pays a dividend of $16 per annum which is earned by a margin of $20 a share.
Continental Fire	220	2.73	Directors propose to increase capitalization and pay 50% stock dividend and reduce shares to $10 par value. paying $2 a share on new stock. Equal to $7.50 div. on present stock.
Glens Falls	50	3.20	One of the oldest and most successful fire insurance companies in the country. Organized an indemnity subsidiary this year. Stock has not advanced with the market.
Hanover	265	1.90	Conservative dividend policy holds down price of shares. Current price only $20 above liquidating value. Earns $28 a share.
Home	535	3.72	Head of the so-called "Home Fleet" of auxiliary companies which was joined by Maryland Casualty this Fall. Has 50-year dividend record.
Fidelity-Phenix	165	2.42	Member of "America Fore" group, headed by Continental. Earnings equal to around $18 a share on $25 par value stock.

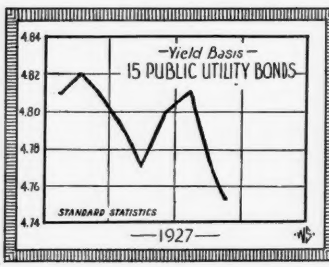
Corporate Bonds

Railroads



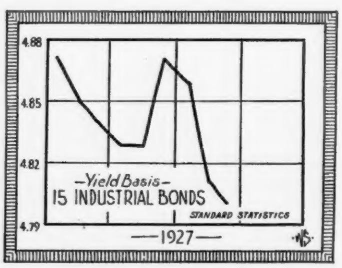
RAILROAD bonds as a group continue to attain new peak levels notwithstanding an appreciable let-down in the average earnings for 1927 as compared to last year. This fact serves to illustrate the widespread recognition accorded the fundamental strength in this class of securities, regained through much diligent effort on the part of the carriers along the lines of greater operating efficiency, and assisted by lower material costs together with a satisfactory volume of business. The point has been reached where the ability to obtain railroad bonds of the highest type on anything like a 5% yield basis is out of the question. Junior issues which not long ago had a pronounced speculative flavor are now rapidly approaching an investment standing, and it is necessary at present to pick and choose with the greatest care among the secondary group, if an adequate return in the railroad field for purposes of reinvestment is to be provided. The appended list has been selected with a view to these requirements.

Public Utilities



PUBLIC utility bonds have participated to an increasing extent in the general strength in bond prices. The merits of senior securities were for a time somewhat obscured by the enormous popularity of utility common stocks when it was realized that the industry was definitely emerging from the difficulties previously encountered and was facing an era of unprecedented prosperity, with the outlook for steady growth supported by a high degree of stability and governmental regulation of a more constructive order. The debenture bond has been a favorite form of public utility financing, in many cases funded debt being confined to this type of issue without mortgage security but usually having the benefit of restrictive provisions. Debentures of strong companies with unquestioned earning power appear to offer the best investment opportunities among public utilities under present conditions, and a number of them have been included in the accompanying selections.

Industrials



IN seeking industrial bonds for reinvestment, an even greater measure of discrimination is essential, for inherent stability of earning power in the industrial field, except in specific instances, is absent, and so many of the strongest companies have no funded debt whatever, that the scope of selection, as far as those companies of unquestioned standing are concerned, is somewhat more restricted. Industrial bonds have followed the general trend sufficiently so that there are virtually no bargains among issues of the highest quality. An attempt has been made to select bonds which, while not quite gilt-edge, are at the same time more influenced by conditions in the bond market than by variations in individual earnings.

Railroad Bonds

Issue	Price	Yield to Maturity	COMMENT
Central Arkansas & Eastern 1st 5s, 1940	99	5.1	Secured by first mortgage on entire property of small road, and guaranteed principal and interest by St. Louis Southwestern whose earnings, while currently below normal, are on sound basis.
Chesapeake Corp. Coll. Tr. 5s, 1947	100	5.0	Secured by pledge of majority of Chesapeake & Ohio common stock outstanding, latter on $10 dividend basis and earning around 2½ times that figure. Convertible into pledged shares in 7 years.
Chicago, Milwaukee & St. Paul Secured 6s, 1934	104	5.3	One of senior and undisturbed obligations of road in process of reorganization. Secured by pledge of ample margin of General 5s, which in turn are first lien on over 6,000 miles.
Minn., St. Paul & S. S. Marie 1st Cons. 4s, 1938	91	5.1	Guaranteed as to interest by Canadian Pacific. Secured by mortgage on all property, leaseholds, etc., and first lien on substantial mileage. Well protected by earnings.
Missouri Pacific General 4s, 1975	81	5.1	General lien on entire property subject to large amount of prior liens. Junior issue, but has acquired definite investment standing through great strides in road's earning power.
Norfolk Southern 1st & Ref. 5s, 1961	96	5.2	Junior issue of one of smaller southern roads, but outstanding in moderate amount and secured on equipment and collateral as well as by mortgage. Increasing margin of earnings.
Northern Pacific Ref. & Impr. 6s, 2047	115	5.2	Secured by direct or collateral lien on 7,000 miles of road. Wide margin of earnings over interest charges. Unusually attractive yield because callable at 110, but not until 1936.

Public Utility Bonds

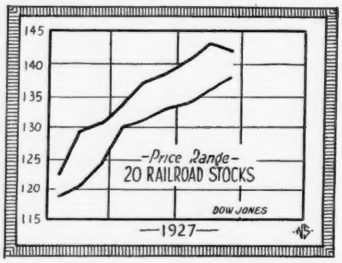
Issue	Price	Yield to Maturity	COMMENT
Columbia Gas & Electric Deb. 5s, 1952	99	5.1	Major portion of relatively small funded debt of one of leading public utility holding companies. Interest earned about 7 times. No mortgage security, but protected against future mortgages.
Detroit Edison 1st & Ref. 6s, 1940	108	5.1	High type issue of public utility operating company in strong position. Earning power stable and ample to protect interest charges. First mortgage on one plant, general mortgage on all property.
Hudson & Man. Adj. Inc. 5s, 1957	93	5.5	Although junior issue subject to prior liens, is rapidly achieving investment standing through inherent stability and growth in conjunction with adequate rates of fare.
Lone Star Gas 5s, 1942	99	5.1	Only funded debt of prosperous natural gas producer and distributor in Texas. No mortgage security, but creation of future mortgages restricted. Earnings stable and growing.
Massachusetts Gas 5½s, 1946	105	5.1	Issue of prominent and old established utility operating through subsidiaries in and around Boston. Preceded by no mortgage obligations and must rank equally with any future mortgages.
National Power & Light Deb. 6s, 2026	106	5.7	Long-term issue of one of group of public utility holding companies supervised by Electric Bond & Share. Attractive by reason of great margin of safety and growth in earnings.
North American Edison Deb. 5s, 1957	101	4.9	Issue of sub-holding company for extensive system controlled by North American Co. Probable price advance incident to early conversion privilege offsets somewhat low yield.

Industrial Bonds

Issue	Price	Yield to Maturity	COMMENT
Allis-Chalmers Mfg. Deb. 5s, 1937	100	5.0	Represents recent creation of funded debt for sole purpose of effecting savings through elimination of preferred stock. Unusual stability and very wide margin of earnings.
Amer. Type Founders 6s, 1940	106	5.3	Established business owning largest type founding plant in world. Interest earned over 4 times. No mortgage security, but must rank equally with any future mortgage of assets.
Bethlehem Steel Cons. 6s, 1947	104	5.6	Ranks second in size in steel industry. Bonds secured on practically all plants as well as on stock collateral of subsidiaries. Subject to prior liens, but interest well safeguarded.
Chile Copper Deb. 5s, 1947	95	5.4	Controlled by Anaconda, company featured by huge ore reserves and extremely low cost copper production. Interest charges on bonds only moderate fraction of normal earning power.
International Paper Ref. 6s, 1955	104	5.7	Secured on all fixed assets subject to prior liens. Good margin of safety in earnings, which are being supplemented year by year as great expansion program nears completion.
Shell Union Oil Deb. 5s, 1947	98	5.1	No mortgage security, but there are virtually no prior obligations and issue is protected as to future mortgages. Interest charges only small fraction of customary earnings.
Schulco Ser. B 6½s, 1946	103	6.2	Secured by mortgage on important New York City real estate leased to Schulte Retail Stores, which guarantees issue as to principal, interest and sinking fund. Guaranteeing company in strong position.

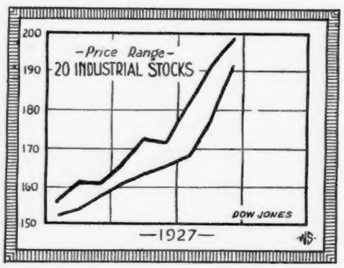
Corporate Stocks

Railroads



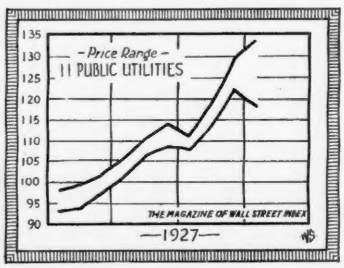
THE bull market in railroad securities has continued throughout 1927 but with some tendency toward increased irregularity, growing out of variations in the earnings statements of the individual carriers. The peak of railroad prosperity for recent years was reached, at least temporarily, in 1926. Revenues this year, in the aggregate, have been falling short of the very gratifying showing of the preceding twelve months owing to the many cross currents of industry and the slower pace of trade. These variations are quite naturally reflected in like unevenness of railroad income when comparisons are made between the several roads. The position of the investment rail stocks remains fundamentally sound, however. In fact, some of the roads, despite the rather general falling off in traffic, are bettering even their excellent 1926 showing. Opportunities for profitable investment are more likely to be found among these than among the main body of rail stocks where dividend yields have settled more closely to a level in conformity with present day money market prospects.

Industrials



BY reason of the wide variety of industries embraced within the industrial group, it is useless, if not altogether impractical, to treat this class of stocks as a whole. Particularly under present day business and market conditions does it become necessary to examine each security from the standpoint of its individual merits and prospects equally as much as from the viewpoint of the position of the specific line of activity with which it is identified. In a broad sense, the 1926 bull market in the industrials has continued throughout the current year with some interruption of a technical nature. Yet, despite the buoyancy of the speculative market leaders, numerous stocks have settled to new low levels. The market has thus been sharply discriminatory, a characteristic which it seems likely to preserve indefinitely.

Public Utilities



THE public utility industry has given another demonstration of inherent stability during the past year. Thus, while frequent complaints of small profit margins and intense competition are voiced by manufacturers and distributors, particularly the smaller representatives of these branches of industry, public utility operators have no such ground for gloom. Gross and net revenues of practically all utility enterprises have maintained a persistent upward tendency. Sagging commodity prices have doubtless had a part in improving the ratio of operating expenses to gross income. The speculative market movements of 1926 were not repeated this year so that, broadly speaking, public utility stocks have been selling on a more solid investment basis. Such is their favor with investors, indeed, that few among this group afford a yield above that of sound bonds. Public utility stocks, in other words, outside the purely speculative division which is represented largely by non-dividend payers, offer a rather limited field for profit. The investor, accordingly, must be content to make selections purely on a comparative yield basis.

Guaranteed Railroad Stocks

Issue	Price	Yield (%)	COMMENT
Atlanta, Birming. & Coast Pfd.	102	4.9	Provides Atlantic Coast Line with connection between Jacksonville and Atlanta and Birmingham. Dividends, guaranteed unconditionally by Atlantic Coast Line, begin accruing under guarantee on January 1, 1928.
Vicks., Shreveport & Pac. Pfd.	101	4.9	Leased to Yazoo & Mississippi, subsidiary of Illinois Central, for 357 years. Dividends guaranteed by latter road, rendering issue high grade.

Railroad Preferred Stocks

Issue	Price	Yield (%)	COMMENT
Kansas City Southern	72	5.6	Long record of uninterrupted preferred dividends entitles issue to sound investment rating. Earnings have shown broad, though not especially marked upward tendency.
N. Y., Chicago & St. Louis	108	5.6	An undervalued preferred stock of important eastern trunk line figuring prominently in proposed "Nickel Plate" merger.
St. Louis Southwestern	85	5.9	Road's position materially improved in late years as result of rehabilitation program and rapid development of Southwest. Preferred stock not high grade but sound holding.

Railroad Common Stocks

Issue	Price	Yield (%)	COMMENT
Baltimore & Ohio	118	5.1	Seems in line for higher dividend ultimately. More liberal rate desirable to permit common stock financing and could easily be supported by excellent earnings.
Chesapeake Corp.	85	3.5	Organized primarily to take over Nickel Plate holdings in Chesapeake & Ohio. Not particularly attractive for income, but stock is decidedly out of line with the railroad issue and is desirable for its equities.
Great Northern Pfd.	98	5.1	Earnings gradually improving with steady recovery of the Northwest. Proposed unification with Northern Pacific and affiliated lines awaits sanction of I. C. C.
Southern Pacific	120	5.0	Strong transcontinental carrier with important steamship interests and well diversified traffic. Increased dividend seems merely a matter of time.

Public Utility Preferred Stocks

Issue	Price	Yield (%)	COMMENT
Engineers Public Service	107	6.5	One of newer holding companies but earning capacity well established and company enjoys capable management.
Hudson & Manhattan	85	5.9	Operates important interstate passenger carrier from which it derives gradually increasing revenues. Under jurisdiction of I. C. C., which insures freedom from difficulties of traction properties in metropolitan area.
Standard Gas & Electric	65	6.0	One of leading public utility holding companies with extensive properties supplying every type of service. Gross and net revenues show fair rate of growth.
West Penn Electric	108	6.5	Electric power and light subsidiary of American Water Works & Electric Company. Well protected preferred stock affording better than average yield.

Public Utility Common Stocks

Issue	Price	Yield (%)	COMMENT
American Tel. & Tel.	177	5.0	Justly regarded as most substantial of investment common stocks. Frequent rumors of stock split-up appear to have little foundation, but will doubtless continue to issue valuable rights at intervals as heretofore.
Columbia Gas & Electric	89	5.6	Solidly growing, excellently managed utility holding company. Acquisitions of past year or so have set it in front rank of natural gas producers.
Standard Gas & Electric	60	5.8	Controls chain of utility properties covering nineteen states. Major share of earnings derived from sale of electrical energy. Upward trend of earnings puts stock in attractive light as semi-investment issue.

Industrial Preferred Stocks

Issue	Price	Yield (%)	COMMENT
American Sugar Refining	108	6.5	Despite irregular earnings of more recent years, company's income shows ample margin of safety over preferred dividend requirements.
Associated Dry Goods 2nd	110	6.4	Junior preferred issue of eminently successful dry goods store chain. Substantial and consistent earning power developed under unified control in more recent years.
Pillsbury Flour Mills	107	6.1	New issue of old and well established flour milling enterprise. Dividends covered by wide margin. Carries conversion feature which may prove valuable in time.
U. S. Industrial Alcohol	117	6.0	Preferred dividends paid without a break since 1907. Earnings, while variable, have averaged over seven times requirements in last ten years.

Industrial Common Stocks

Issue	Price	Yield (%)	COMMENT
Endicott-Johnson	73	6.8	One of leading shoe manufacturers, operations are well integrated and have proven consistently profitable over long term of years despite irregularities in shoe trade.
Standard Milling	90	5.6	Producer of many popular and widely advertised brands of flour. Good earnings shown during deflation period despite exceptional difficulties. Undervalued spec-vestment.
Westinghouse El. & Mfg.	84	4.8	One of dominant factors in electrical equipment field. High standing as investment common stock on past record and seems facing equally good future.

Unlisted Securities

UNLISTED securities are subject to the same fundamental influences as those which, in the long run, shape the price trends of listed stocks and bonds. That is to say, asset values and earning power determine price levels and changes for the better or worse are reflected in proportionate gains or losses in market valuations. In the unlisted market, however, values tend to be reflected more faithfully in price movements than is the case with listed stocks owing to the absence of speculative influences, such as pool operations, for example, which play so large a part in price fluctuations of the latter. The investor, accordingly, is less likely to be disturbed by intermediate price swings in over-the-counter holdings, though as an offset to this advantage is the fact that active speculation in any given stock makes for a close market and more ready salability.

The unlisted market, however, includes a vast array of securities representing every phase of industry and finance. Accordingly, it offers equal opportunities for investment with those available on the organized exchanges. In fact, the comparative lack of general speculative activity frequently causes many attractive stocks or bonds to be overlooked, on occasion, so that the student of values is often enabled to discover undervalued issues long before they have been brought to public attention. For the investor who is willing to accommodate himself to the few peculiarities of the over-the-counter market, this field offers an interesting adjunct to commitment selected from the more popular, but certainly no more versatile listed market.

Government and Municipal Bonds

THE steady increase in supply of investment capital, along with persistent ease in money rates, have forced the price of high grade bond issues to new peak levels. Whereas, even a year ago, the purchaser of the average investment bond was able to secure a relatively generous yield and might subsequently have realized sizeable profits from his holdings, it is debatable whether the same results may be expected from commitments made in the present market. Yields have been readjusted downward to conform with a lower level of money rates and in keeping with an appreciably lower average level of commodity prices. Probably no other single instance of the strong demand for investment securities could be cited than the consistent rise in U. S. Government obligations during the past year and the exceptionally heavy over-subscription of the recent offering of U. S. Treasury 3⅛% bonds. The reduction in coupon rates on Government bonds to this low figure illustrates fairly enough the striking changes that have been wrought in the bond market. Municipal bond yields have likewise been brought to a lower average than that obtainable at this season a year ago. But though it may hardly be said that such securities are now even relatively cheap, their great attraction from the investor's standpoint is their unquestioned safety.

Foreign bonds, even those of more doubtful quality, have felt the stimulus of heavy investment demand. Evidences of increasing financial stability among the European nations have also contributed to the greater favor in which many of them are now held. In this field, however, there is still need for careful discrimination.

Unlisted Bonds

Issue	Price	Yield (%)	COMMENT
Dallas Power & Light 1st. "A" 6s, 1949	106½	5.5	Call price equivalent to current market which cuts off possibilities of price appreciation, but attractive for straight investment. Amply secured by assets and high earning power. Electric Bond & Share supervision.
Gulf States Steel Deb. 5½s, 1942	95½	5.9	Direct obligation of important southern steel producer, not secured by mortgage but well protected by restrictive provisions. Wide margin of safety despite last year's slump in net. Room for price enhancement.
Kansas City Gas 1st. "A" 6s, 1942	109	5.1	Non-callable first mortgage issue of natural gas producer serving Kansas City's gas requirements without competition.
Long Island Lighting Sec. 6s, 1945	105	5.5	Redemption price at 105 limits price enhancement possibilities, but issue is desirable for income. Subject to 7.25 millions prior liens, but interest charges earned two and one-half times over period of years.
Los Angeles Gas & El. Gen. & Ref. "I" 5½, 1949	104½	5.2	General mortgage issue of company operating in prosperous and consistently growing area of Southern California, including important city of Los Angeles.
Pierce, Butler & Pierce Mfg. 1st. 6½, 1942	104	6.1	Well established manufacturer of radiators, boilers and steam and hot water heating equipment. Bonds seem undervalued in view of asset protection and very wide margin of safety in earnings.

Unlisted Preferred Stocks

Issue	Price	Yield (%)	COMMENT
American Cyanamid	91	6.6	An attractive unlisted preferred stock for income and ultimate price appreciation. Company has no funded debt. High average earning power.
Amer. District Telegraph Conv.	110	6.4	Attractive primarily for income owing to call price at 110, though holders have right to convert into common stock share for share 30 days prior to redemption.
American Manufacturing	82	6.1	Manufacturer of rope twine and related products and sundry cotton goods. No funded debt. Consistently profitable operations reflected in unbroken preferred dividend record.
Continental Gas & El. Prior	108	6.5	Public utility holding company deriving approximately 81% of earnings from electric light and power operations of subsidiaries, chiefly in Middle West.
Neisner Bros.	105	6.7	One of rapidly growing, smaller "five and tens," operating chain stores in eastern states. An attractive holding for income and possible price appreciation.

Unlisted Common Stocks

Issue	Price	Yield (%)	COMMENT
American District Telegraph	82	4.9	Controls general telegraph signal business in leading cities. Earnings stable with consistent tendency. Recently increased dividend rate to $4.
Joseph Dixon Crucible	170	4.7	Excellent dividend record and strong financial set-up establish stock as sound investment issue. No bonded debt or bank loans.
New England Tel. & Tel.	137	5.8	New England subsidiary of American Telephone & Telegraph. Has apparently recovered from 1925 earnings slump and once more rests on solid investment basis.
Phelps Dodge Corp.	121	5.0	Important producer and refiner of non-ferrous metals, principally copper. High equities behind common stock. Stands to benefit from improving outlook for copper producers.
United Gas Improvement	110	3.6	Exceptional dividend record, uninterrupted payments extend back to 1889. Low current income return, but promising long-range possibilities predicated upon "super power" developments.

Foreign Government Bonds

Issue	Price	Yield (%)	COMMENT
Dutch East Indies External 6s, 1947	105	5.6	High-grade issue, obligation of thrifty and industrially prosperous East Indian Empire of the Netherlands. Callable at 100 after Jan. 1, 1932.
Japanese Government 30 yr. ext. 3½s, 1954	99	6.6	External obligation of characteristically stable Japanese Government. Comparatively high yield makes issue exceptionally attractive for bond of this kind.
Government of Newfoundland 20 yr. 5½s, 1942	104½	5.1	Former crown colony of Great Britain, now a dominion. Potential industrial developments and solid character of population render issue high grade.
Queensland (State of) Ext. 6s, 1947	107½	5.4	Non-callable provincial obligation of strong Australian subdivision. Ranks as sound investment.

Public Bonds

Issue	Price	Yield (%)	COMMENT
New York City 3½s, 1955	93	4.00	Country's most important industrial city and leading port. Credit of highest grade.
North Carolina 5s, 1961	..	4.20	Southern state of growing industrial consequence enjoying steady development of wealth.
Los Angeles County 4½s, 1949	..	4.20	Steady growth of population with consistent industrial development. One of most important political subdivisions of largest Pacific Coast state.

Columbia Gas & Elect. Co.

A Diversified Public Utility

Diversification Keynote of Columbia's Steady Progress in Recent Years—Business Aspects of Natural Gas—Effects of Merger

By DANIEL M. GORHAM

THE career of Columbia Gas & Electric Company is one of those unspectacular romances of which American Industrial history is so full. Through one of its subsidiaries, the company is successor to one of the earliest gas companies founded in this country, the Cincinnati Gas, Light & Coke Co., incorporated in 1837.

From this nucleus, the Columbia system has grown steadily and naturally through expansion of existing facilities, absorption of neighboring properties whose operations could economically be combined with existing ones, and a gradual diversification of facilities and lines of business.

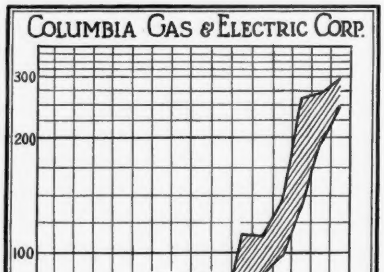
By 1914, the Columbia system was a compact group of properties centering around Cincinnati and its neighboring communities to which it supplied natural gas and electricity, and including nearly 300,000 acres of natural gas rights in West Virginia and Kentucky, 190 miles of pipe lines leading into Maysville and Cincinnati and a substantial interest in a natural gas field in Eastern Ohio. Among its secondary activities were the production of oil and coal and miscellaneous public utility services such as gas, electricity, traction and water supply in neighboring towns.

Its total capitalization at that time was 500,000 shares of capital stock of $100 par and $13,000,000 of funded debt.

Growth of System

Today, this corporation directly and through subsidiaries and leased companies serves 800 communities in most of Ohio and parts of Kentucky, West Virginia and Pennsylvania, having a population of 3,500,000, with gas, and about a quarter of this territory with electricity.

Its properties include 5,185,000 acres of natural gas rights of which about 17% are under actual operation, oil rights on 2,917,000 acres of which less than 5% are in production, two important electric generating stations, together with minor, auxiliary and standby stations whose combined output last year was 895,000,000 kwh., and a traction system connecting Cincinnati with its suburbs and neighboring towns across the Ohio river in Kentucky. The coal properties owned by or available to the system cover 29,000 acres and provide an excellent grade of fuel for the company's steam-generated electric plants.



The company's capitalization consists of 3,373,462 shares of common stock, $91,303,000 of 6% preferred stock and $45,000,000 of bonds, in addition to $37,365,000 of bonds of subsidiary companies and relatively small amounts of minority stock of subsidiaries.

How Stockholders Have Fared

That this development has been on the whole beneficial to stockholders is clearly indicated by the accompanying figures showing the range of prices for each year since 1912. The steady improvement in this respect parallels remarkably the steady growth of the company's properties and operations.

In 1920 when the company first began to segregate its gross earnings according to source, of the total gross income of $14,617,000, about 40% was obtained from the sale of electricity and 48% from sales of gas. By 1925 gross revenue had increased to $33,484,000 of which electricity provided very nearly 50% and gas some 42%. These gross figures refer only to the company itself and subsidiary companies controlled practically 100% stock ownership or lease.

Columbia Gas & Electric Corp.

Post-War Progress

Year	Gross Revenues*	Net Income Available for Dividends	Earnings per Share of Common	Dividend Rate on Common
1919......	$11,950,273	$2,446,636	$4.89	$4.00
1920......	14,616,743	3,991,357	7.98	5.00
1921......	15,232,964	3,455,516	6.91	7.00 ($1 extra)
1922......	18,592,694	4,233,581	8.47	6.00
1923......	21,003,000	5,555,940	3.70 (11.10)**	7.35**
1924......	26,727,581	6,707,274	4.41 (13.23)	2.60 (7.80)
1925......	33,483,559	9,492,766	5.38 (16.14)	2.60 (7.80)
1926......	92,119,615	26,470,906	6.92 (20.76)	4.40 (13.20)
1927...... (Yr. ended Sept. 30)	96,746,521	23,772,806	5.42 (16.26) Estimated	5.00 (15.00)

*Up to and including 1925, for Columbia Gas & Electric Co. and leased or 100% owned subsidiaries; thereafter Columbia Gas & Electric Corp. and leased or 98%—or more—owned subsidiaries.

**Stock split 3 to 1—figure in parenthesis indicates equivalent amount on old capital.

The Ohio Fuel Merger

Toward the end of 1926, the company took over, through exchange of stock, the Ohio Fuel Company, doing a gross business of $40,438,000 in 1925. The

latter company, however, was a more one-sided affair than the old Columbia system, nearly 90% of its 1925 gross revenues having been derived from the sale of gas. About 6% came from oil and a little over 3% from gasoline.

In 1926, the enlarged Columbia system showed gross earnings of $92,120,000, against a combined gross of the two predecessor companies of $73,918,000. This represents an increase of 22% for the year compared with an annual increase in gross of 1½% to 3% per annum in previous years for the Columbia system, as reported. Data for the Ohio Fuel Company for previous years are not available.

To some extent, this increase is due to the pooling of ownership of certain subsidiaries, which had been divided between the two big companies before the merger. The United Fuel Gas Company of West Virginia, one of the most important natural gas subsidiaries of the system was owned to the extent of 51% by the Columbia Gas & Electric Co. and 49% by the Ohio Fuel Supply Co., a subsidiary of the Ohio Fuel Corporation, and similarly the Virginian Gasoline and Oil Company. The latter corporation extracts an extremely high grade of gasoline from the so-called "wet" natural gas produced by the system, providing an important secondary source of revenue.

On the other hand, one effect of the merger was to upset the balance between natural gas and electric earnings in the gross revenues of the system. For 1926, 65% of gross was obtained from gas operations and less than 22% from electricity. Over 11% was obtained from gasoline, oil, and miscellaneous operations and only about 2% from its traction line.

The territory in which the company operates is highly industrialized, being said to contain, in an important way, over 100 of the 257 industries separately classified by the United States Census Bureau. Naturally, the company has been able to find a ready and expanding market for all the natural gas which it produces. There are some important differences, however, between natural and artificial gas as business propositions, although both are classed as public utilities.

Gas Costs and Rates

While three-fourths of all the gas used in the United States is natural gas, the overwhelming majority of natural gas consumption is by industrial consumers, while in artificial gas, home consumption is the backbone of the industry. The reason for this disparity is that in the case of artificial gas, the large items of cost are fuel, raw material, labor and other costs which are more or less stationary per 1,000 cubic feet of gas sendout. Consequently, an artificial gas company is not able to make any extreme concessions to wholesale buyers such as industrial consumers, compared with domestic ones.

On the other hand, a natural gas

(*Please turn to page* 291)

Bond Buyers' Guide

Bonds for Income Primarily

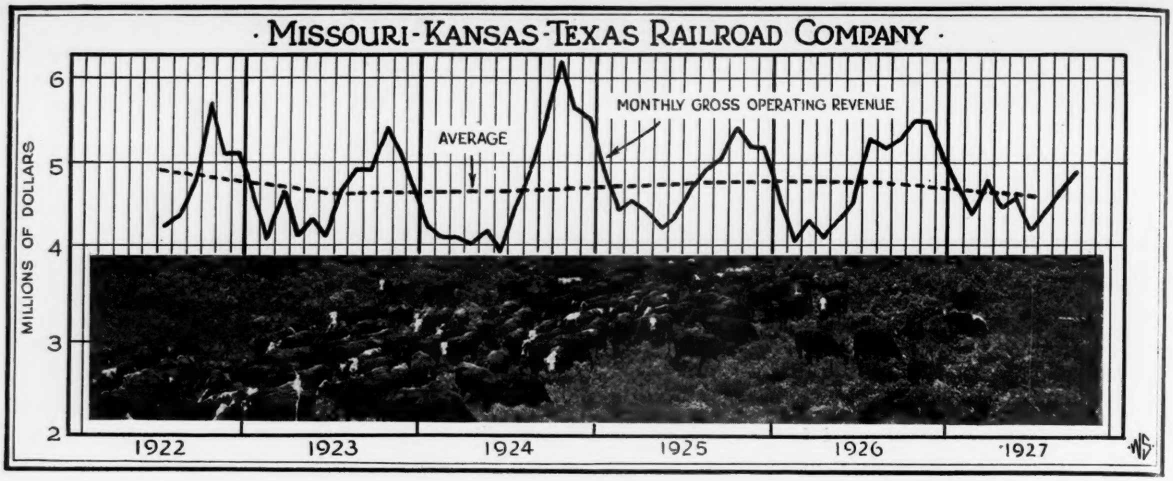
	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
GOVERNMENT ISSUES						
Argentine 6s, 1959 ....(a)	....	....	....	99½	6.03	6.04
Chile 6s, 1960 ....(a)	....	....	100	91½	6.52	6.63
Dominican Rep. 5½s, 1942...........(a)	6.4	....	101G	100	5.50	5.50
Haiti 6s, 1952 ....(b)	....	....	100G	100	6.00	6.00
Panama 5½s, 1953 ....(a)	....	....	102½G	103⅛	5.32	5.25
RAILROAD ISSUES						
Cuba R. R. 1st 5s, 1952..................	....	3.80	....	97⅜	5.14	5.19
Central of Georgia, Ref, 5½s, 1959......	31.1	1.74	105G	107	5.22	5.08
Chicago & West Ind. 1st Ref. 5½s, 1962	60.1	X	105	105⅝	5.20	5.15
Erie & Jersey 1st 6s, 1955...............	....	1.61	115	115	5.21	5.01
Florida East Coast, 1st Ref. 5s, 1974.(b)	12.0	3.55	105G	93⅜	5.37	5.42
Great Northern, Gen. "A" 7s, 1936..(b)	139.8	2.67	....	115⅜	6.04	4.85
Kan. City Sou., Ref. & Imp. 5s, '50.....	30.0	2.07	105A	103	4.85	4.77
Minn., St. P. & Sault, 1st Con. 5s, 1938.	....	1.19	....	98	5.11	5.27
Norfolk & Southern, 1st 5½s, 1961......	3.8	1.21	105	96½	5.18	5.75
Peoria & Pekin Un. Ry., 1st 5½s, 1974.	....	2.04	105G	106⅝	5.17	5.15
Rock Isl., Ark. & La., 1st 4½s, '34..(b)	....	1.53	105T	97½	4.59	4.92
St. Louis Southwestern, 1st Terminal & Unifying 5s, 1952	45.3	2.05	....	101½	4.89	4.91
PUBLIC UTILITIES						
Amer. W. W. & Elec., Coll. 5s, 1934.(b)	....	1.34	102¼	100⅜	4.97	4.94
Brooklyn City, 1st Con. 5s, 1941.........	....	3.48	....	92⅝	5.37	5.77
Hudson & Manh., 1st Ref. 5s, 1957..(b)	5.6	2.01	105	102¼	4.87	4.83
Indiana Nat. Gas, Ref. 5s, 1936.........	....	2.00	....	99½	5.03	5.08
Louisv. Gas & El., 1st Ref. 5s, 1952..(b)	1.2	2.34	110T	103½	4.82	4.75
New Orleans Public Service, 1st Ref. 5s, 1952 ....(b)	10.5	1.70	105T	98¾	5.05	5.07
N. Y. Steam Corp., 1st 6s, 1947.....(a)	....	2.05	107½GT	108	5.55	5.35
Pacific Gas & Elec. Gen. & Ref. 5s, 1942	40.3	2.00	105T	102¼	4.86	4.79
Public Service of N. J., Sec. 6s, 1944.(a)	....	2.75	107½T	107	5.59	5.37
Rochester Gas & El., "C" 5½s, 1948.(a)	12.5	2.08	105GA	107¼	5.10	4.95
INDUSTRIALS						
Bethlehem Steel, P. M. 5s, 1936........	5.1	2.20	105	101½	4.93	4.80
Brier Hill Steel, 1st 5½s, 1942.......(a)	....	4.00	105	104¾	5.24	5.03
International Paper, 1st 5s, 1947........	....	7.26Y	102½	100⅝	4.97	4.95
Morris & Co., 1st 4½s, 1939............	....	NS	103	86	5.23	6.15
Mortgage Bond, 5s, 1932.............(b)	....	1.68	100	98¾	5.08	5.30
Schulco "A" 6½s, 1946 ....(a)	....	X	103T	103	6.31	6.25
Sinclair Pipe Line, 5s, 1942..........(a)	....	4.46	103	93½	5.30	5.68
U. S. Rubber, 1st 5s, 1947...........(b)	2.6	2.91	105T	93¼	5.35	5.56

Bonds for Appreciation of Principal Primarily

	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
RAILROADS						
Atlantic & Danville, 1st 4s, 1948........	....	1.79	....	84	4.76	5.28
Central New England, 1st 4s, 1961......	0.2	0.78	105	87⅜	4.56	4.75
Chicago Gt. Western, 1st 4s, 1959.......	....	0.97	....	72¾	5.49	5.87
Erie, Gen. Lien 4s, 1996................	91.6	1.46	....	83⅝	4.79	4.84
Mississippi Central, 1st 5s, 1949......(b)	....	1.36	110A	97⅞	5.08	5.13
Missouri Pacific, Gen. 4s, 1975.......(a)	10.4	1.28	100A	79¾	5.02	5.16
New Haven, Non-conv. Deb. 4s, 1956....	49.4	1.48	....	85	4.70	4.99
Northern Ohio, 1st 5s, 1945..............	....	2.60	....	100⅞	4.96	4.92
Seaboard Air Line, Ref. 4s, 1959........	46.4	1.25	105A	71¾	5.57	5.97
Texarkana & Ft. Smith, 1st 5½s, 1950..	....	2.02	107½A	106⅜	5.13	5.07
Western Maryland, 1st 4s, 1952..........	2.3	1.24	....	86⅞	4.62	4.99
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968.....(b)	....	1.52	105	96	6.25	6.28
Market St. Ry., 1st 7s, 1940..........(a)	...	2.22	106½T	99⅝	7.02	7.05
Montreal Tram., 1st & Ref. 5s, 1941.(a)	....	1.31	105A	100	5.00	5.00
Sierra & San Francisco, 1st 5s, 1949....	....	1.78	105	101⅝	4.90	4.89
Utah Power & Light, 1st 5s, 1944.......	....	1.97	110	101⅛	4.89	4.86
INDUSTRIALS						
B. F. Keith, 1st & Gen. 6s, 1946........	4.8	4.16	104T	100	6.00	6.00
Pressed Steel Car, Conv. 5s, 1933........	....	3.30	100	99	5.15	5.20
Walworth Co., 1st "A" 6s, 1945......(a)	....	2.73	104½T	95½	6.28	6.43
Webster Mills, 6½s, 1933............(c)	....	2.44	106½T	95¾	6.77	7.40
American Chain, S. F. 6s, 1933......(a)	....	6.84	105	104¾	5.71	5.05
American Type Founders, 6s, 1940......	....	3.84	106	106	5.66	5.31
California Petroleum, Conv. 5s, 1939..(a)	...	11.56	103T	95¼	5.26	5.57
Dodge Bros. Conv. 6s, 1940..........(a)	....	9.97	110T	87¼	6.87	7.55
White Sewing Machine, 6s, 1936......(b)	....	5.60	105	†101½	5.92	5.77
SHORT TERMS						
Cen. of Georgia Ry., Sec. 6s, June 1, '29	31.1	2.11	102T	102	5.88	4.61
Gen. Petroleum, 6%, April 15, 1928......	....	5.18	101T	100¼	...	...
Sloss-Sheffield P. M. 6s, Aug. 1, 1929....	1.7	4.55	105	102½	5.85	4.26

Note—All bonds in $1,000 denominations, except (a) lowest demomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

Y—Recent earnings about 2.16 times. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. NS—Not segregated. (c) Listed on N. Y. Curb Market. † Without warrants.



"Katy" Key of Loree Plan

Reorganized Road Forges Into Class of Steady Earners — Increased Operating Efficiency and Economy Attributed to Rehabilitation During Receivership.

By H. H. JONES

FEW of the railroads of the United States afford a study at once more interesting and more elusive than "Katy," or to use its conventional designation, Missouri-Kansas-Texas R. R. Company. For in addition to the usual considerations of earnings, book values (if, in reality, the latter has any real significance), traffic and operating conditions and prospects, analysis of this property, logically, must also take the direction of an inquiry into the effectiveness of its reorganization, the stewardship of its management since the capital structure of the road was revamped in 1922, and the ever present merger possibilities.

Missouri-Kansas-Texas was one of the brace of reorganizations which marked the eventful era in railroad history just recently drawn to a close. A receivership which lasted almost seven years had wrought notable changes, not only in the form of its capital structure, but also in the physical condition of the property. With a nominal ratio of approximately two to one between funded debt and capital stocks, the market valuation of securities of the old company reflected an actual ratio more nearly ten to one. Effectively to correct this condition, a broader basis of equity securities was established as the foundation for the new structure. About 40% of the funded debt of the old company was converted into a new issue, the interest upon which constituted only a contingent liability for a period of three years (now ended) and which was convertible into preferred stock.

Effect of Capital Readjustment

The apparent effect of the capital readjustment was to increase equity securities by about $37,000,000 and funded debt by about $20,000,000. Actually, the creation of the $50,825,000 issue of adjustment 5s assured the ultimate reduction of funded debt by that amount as soon as the road should be in a position to bear the load of a 7% dividend on its preferred stock issue.

But more, the receivership made possible the physical rehabilitation of the road and its equipment in a manner and on a scale which would hardly have been possible without it. Heavy expenditures of more than $40,000,000 which were made during the period of receivership, and liberal charges on account of maintenance of equipment and way and structures furnish the key to the subsequent rapid increase in net earnings.

Expenditures for maintenance of way and structure which were 22.52% of total operating revenues in 1920, whereas equipment expenditures which took up 23.84% of total revenues in 1920, in every year since with one exception have been less than 20%. But the outstanding accomplishment has been the reduction in transportation expense from a ratio of 43.91% in 1920, to but 30.34% in 1926. That ample maintenance of equipment expenditures have been made is shown by the fact that on January 1st, 1927, there were 5.8% of freight cars and 17.9% of locomotives in need of repair against percentages running well above 10% and 25% respectively in the years immediately preceding receivership.

Traffic statistics are rarely referred to by the investor, but such figures, when studied on a comparative basis furnish an excellent index of the trend of the railroad's prosperity. In the case of Missouri-Kansas-Texas, these statistics supply the most encouraging indications of progress. Comparing figures for 1922 with those for 1926, it is notable that in every item but one, the comparison reflects substantial improvement in operating conditions.

It will be interesting to note the manner in which the income account has reflected these developments in traffic and operating conditions. The two and a quarter years of Government operation, 1918, 1919 and the first quarter of 1920, so far as actual results were concerned, easily comprised the worst period in the old company's career. In 1917 the road had been able to show a balance of slightly more than $2,000,000 before interest charges and had earned these requirements about 1 1/5 times. Under Government control, however, the comparable figure dropped to $4,053,860 in 1918, to $1,574,159 in 1919 and in 1920 operations resulted in a deficit of $446,033 after rentals and hire of equipment. The actual corporate showing, which, of course, took into account the amount received from the Government in the form of compensation, was materially different and the road did not in reality supply the monetary losses indicated by these operating figures. But results for these years were such as to vindicate the placing of the property in receivership in 1915.

Record of Progress

It was during the period immediately following the return of the property to private operation that the greatest progress was made by the receivers toward putting the road back on an efficient operating basis. In 1921, part-

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ly as a result of efficient management and partly due to boom conditions in part of the territory served by the road, income before interest jumped to $12,-739,223 and, after slight recessions in 1922 and in 1923, again worked upward and, in 1926, reached the record figure of $13,510,854.

Here, again, statistics tell an interesting story for they demonstrate quite clearly that this increase in net earnings was in no way related to increase in business volume, but rather to operating efficiency and economy the groundwork for which was laid during the receivership. They show, for example, that as against a deficit of $446,000 before interest charges based on operating revenue of $72,914,737 in 1920, the road was able to show net earnings of more than $13,000,000 before interest on operating revenues of only $58,000,000 in 1926. To some extent, deliberate over-allowance for maintenance in 1920, which helped to make better showings possible in later years, was responsible for the unusually poor results of that year. Nevertheless, it is significant that only expenditures for maintenance of equipment dropped sharply after that year, while operating charges declined gradually—an indication of real and sustained progress in the direction of efficiency.

The improvement in operating results furnishes a strong indication that the property is in satisfactory physical condition. Last year's operating ratio was the lowest in the road's history, and the fact that this showing was not the result of stinting of maintenance is proven by the lower transportation costs which were accomplished in spite of an increase in the average cost of fuel oil from $1.27 a barrel in 1925 to $1.36 a barrel in 1926—or $360,000 on the four million odd barrels of fuel oil used by "Katy" annually.

An indication of the road's equipment condition is to be seen in freight car hire debit balance of $1,222,692 in 1926, against $1,534,778 in 1925, a decrease of $312,085 accomplished in the face of an increase of $1,273,121 in revenue freight carried.

Brought down to the equity issues, earnings in 1926 were equivalent to $21.68 per share on the 7% preferred stock, while in 1920, as already noted, the road's actual operating figures showed a deficit before interest charges.

Two Factors To Be Considered

But the question of per share earnings on Missouri-Kansas-Texas preferred and common stocks is one which gives rise to the necessity for keen consideration of two factors, either or both of which may become vitally influential. One relates to the conversion of the road's 5% adjustment bonds into 7% preferred stock, which is progressing with some degree of rapidity, according to reports, and the other relates to the valuation placed on the road's property by the Interstate Commerce Commission and the extent to which earnings may be subject to recapture under this valuation.

As a result of the conversion now in progress of Missouri-Kansas-Texas adjustment mortgage 5s for the 7% preferred stock (now actually paying 6% but which becomes cumulative at a 7% rate on January 1, 1928), an important change is being effected in the road's structure. Aside from the adjustment bonds the funded debt aggregates about $116,000,000, but the adjustment issue, originally $57,000,000, and outstanding in the amount of somewhat less than $50,000,000 at the beginning of the current year, has dwindled to less than $38,000,000 through conversion into the preferred, the outstanding amount of which has correspondingly increased and now stands at more than $42,000,-000 as compared with $34,000,000 less than a year ago. With both the adjustment 5s and the preferred stock selling on the same level, recently around 108, holders of the adjustments gain in increase of 1% in yield through converting their bonds and anticipate an increase of an additional 1% when the rate on the preferred is raised to the required 7%.

Apparently, the management has not been eager to encourage conversion or it undoubtedly would sooner have established the preferred stock on a 7% basis. Reluctance to do this has been attributed, in some quarters, to the fact that the preferred stock enjoys equal voting power with the common and that a material increase in the amount of preferred outstanding would render the acquisition of control correspondingly more difficult.

Of course, with the increase in the amount of preferred stock outstanding there is a corresponding decrease in the per share earnings on this class of stock with any given balance of income after interest requirements.

In July, 1926, the Interstate Commerce Commission established a valuation which, with subsequent additions to the property, offers a rate making valuation on the system of approximately $180,000,000, and permits a net railway operating income of approximately $10,750,000 before earnings are subject to recapture as provided under the Transportation Act. On this basis, of the approximately $13,000,000 net operating income report in 1926, $2,250,000 would be subject to 50% recapture. This means that "Katy" would have been able to show $16.75 per share on the 349,839 shares outstanding at the close of the year, from rail operations, before encountering any recapture of earnings. But taking a long range view of the question and considering the adjustment bonds as all converted into preferred, 1926 results would have permitted a showing of less than $8 per share on this class of stock, with 801,236 shares outstanding, while the balance for the common would have been indeed nominal. Needless to eay, this valuation will be contested, if for no other reason than that basic principles of valuation are in question which the high courts will be called upon to decide.

From the speculative angle, an analysis of Missouri-Kansas-Texas must give consideration to the road's merger possibilities. Extending from St. Louis and Kansas City in a southwesterly direction to San Antonio and

(*Please turn to page* 302)

Missouri-Kansas-Texas

Table I—Traffic Statistics

	1922	1926
Revenue freight carried (tons)	10,845,547	12,731,683
Freight traffic (density)*	681,371	1,076,528
Average distance per ton carried (miles)	234,81	269.61
Freight train mileage per mile of road	1,449	1,703
Average rev. train load (tons)	461.50	632.27
Average rev. per ton per mile (cents)	1.54	1.31
Freight rev. per train mile	$7.10	$8.30
Average rev. tons per loaded car	19.64	20.07
Average loaded cars per train	23.50	31.50
Average empty cars per train	12.97	19.81
Per cent. of loaded and total car mileage	62.75	60.24

*Tonnage of freight and number of passengers carried one mile per mile of road operated.

Table II—Division of Operating Revenue

(Total Operating Revenue 100%)

	1920 %	1926 %
Maintenance of way and structures	22.52	13.46
Maintenance of equipment	23.84	19.28
Traffic	1.34	2.27
Transportation	43.87	30.34
General and miscellaneous	4.27	2.46
Total operating expenses	94.84	68.81
Net operating revenue	4.16	31.19
Taxes and uncollectible revenue	2.89	5.85
Railway operating income	1.27	25.34

PETROLEUM

Equity in Cash Assets of Pipe Line Companies Overlooked by Investors

Opportunities Available in Pipe Line Companies

By G. F. MITCHELL

THERE is a group of eleven stocks representing a still highly important industry, which, while for the most part within striking distance of their high prices for the year, have nevertheless in a larger sense been virtually ignored by the security purchasing public despite the generally adequate returns from the dividends in effect upon all but one of these issues. These represent the companies which formerly constituted the transportation end of the old Standard Oil combination, providing at that time substantially all facilities for the transportation of crude oil from the various producing fields to the eastern seaboard.

The gradual loss of this monopoly over a period of years has been responsible for giving the pipe line industry the reputation of a declining industry, a fact accountable for the increasing lack of public interest. The principal question to consider at this time is to what extent pipe lines may be regarded as a permanent institution, whether the declining trend in the amount of oil carried has run its course, and what chance there is that volume of business is reasonably well stabilized. If there is fair assurance that earning power will undergo no further recessions, then the pipe line stocks as a whole have much to commend them, if only as a means of taking advantage of the income return and the always existing possibility of special cash distributions.

The present state of affairs as compared to other days is the result of diversion of business to tankers carrying oil to the eastern refineries via the water route and to a less extent to tank cars traveling over the regular railroad arteries. Furthermore, with the great development of the oil industry, refineries are no longer largely confined to the eastern seaboard, but in numerous cases have been established at inland points in or near the producing districts.

"Through" Business Eliminated

The clearly drawn lines formerly existing between the four main branches of the industry, production, transportation, refining and marketing have given way to a growing tendency to embrace all these functions in a single organization, and reliance upon independent transportation agencies even on the part of Standard Oil units has been correspondingly reduced. The cumulative effect of these various factors is that through business, although subject to spasmodic revivals, such as occurred during the earlier part of this year when overproduction taxed the resources of other means of transportation, is virtually eliminated as a dependable source of profits.

Shorn of the business which was originally the principal reason for their existence, the pipe line companies have concentrated on other forms of activities still open to them, namely, gathering business and delivery of crude oil to interior refineries, both highly important functions well adapted to the facilities of the pipe line companies, and both of a fairly stable character, the latter in particular apparently being in line for gradual future growth. If the pipe lines have completed the process of adjusting their affairs to prevailing conditions, and may reasonably anticipate future earnings at least comparable to those attained in 1926, which may be taken as nearer normal than the current year with its temporary revival of through business, it will provide sufficient grounds for regarding the stocks with a greater de-

(*Please turn to page* 286)

Pipe Lines—1926

Single Class of Stock and No Bonds in All Cases

	*Value of Cash Assets per Share	Gross Revenues per Share	Net Oper. Revenues per Share	Net Income per Share	Recent Price	†Yield
Buckeye Pipe Line	$26	$21.46	$3.89	$5.20	60	6.7%
Cumberland Pipe Line	63	32.83	8.74	13.03	93	8.6%
Eureka Pipe Line	49	39.64	D 2.88	D 0.26	66	6.1%
Illinois Pipe Line	36	34.25	9.92	14.99	177	6.7%
Indiana Pipe Line	57	15.34	5.85	8.08	88	‡5.5%
National Transit	14	2.91	D 0.09	1.22	22	2.3%
New York Transit	52	20.02	D 0.40	1.64	44	None
Northern Pipe Line	90	14.00	4.88	9.03	93	6.5%
Prairie Pipe Line	56	34.96	15.83	17.84	188	5.3%
Southern Pipe Line	22	3.95	D 0.47	D 4.55	75	None
S. W. Penn. Pipe Line	54	23.63	5.00	7.23	78	5.1%

† Includes regular payments only. ‡ After allowing for $15 special dividend. D—Deficit. * As of close of 1926 fiscal year.

Map of Oil Trunk Pipe Lines

With Locations of Refineries Shown by Circles

(Copyright 1926 by The Petroleum Publishing Company Tulsa, Okla.)

High Spots in Transportation of Petroleum

Number of miles of trunk and gathering oil pipe lines	85,000
Average quantity of crude handled daily, bbls.	2,000,000
Investment in oil pipe lines	$ 800,000,000
Investment in tank steamers	450,000,000
Investment in tank cars	300,000,000
Investment in tank trucks	100,000,000
Total investment in transportation	$1,650,000,000
Investment in telegraph and telephone lines	$ 24,500,000
Total annual expenditure for transportation—pipe lines, tankers, tank cars and tank trucks	$250,000,000
Number of tank cars, supplementing pipe lines	145,000

Volume of Annual Oil Movement

	Barrels
By pipe lines	756,000,000
By tankers from Gulf to Atlantic Coast ports	113,000,000
By tankers, coastwise from California to eastern points	28,000,000
Foreign	111,802,000
By tank trucks	223,000,000
By tank cars	402,000,000

Crude oil is transported through pipe lines at an average rate of four miles an hour

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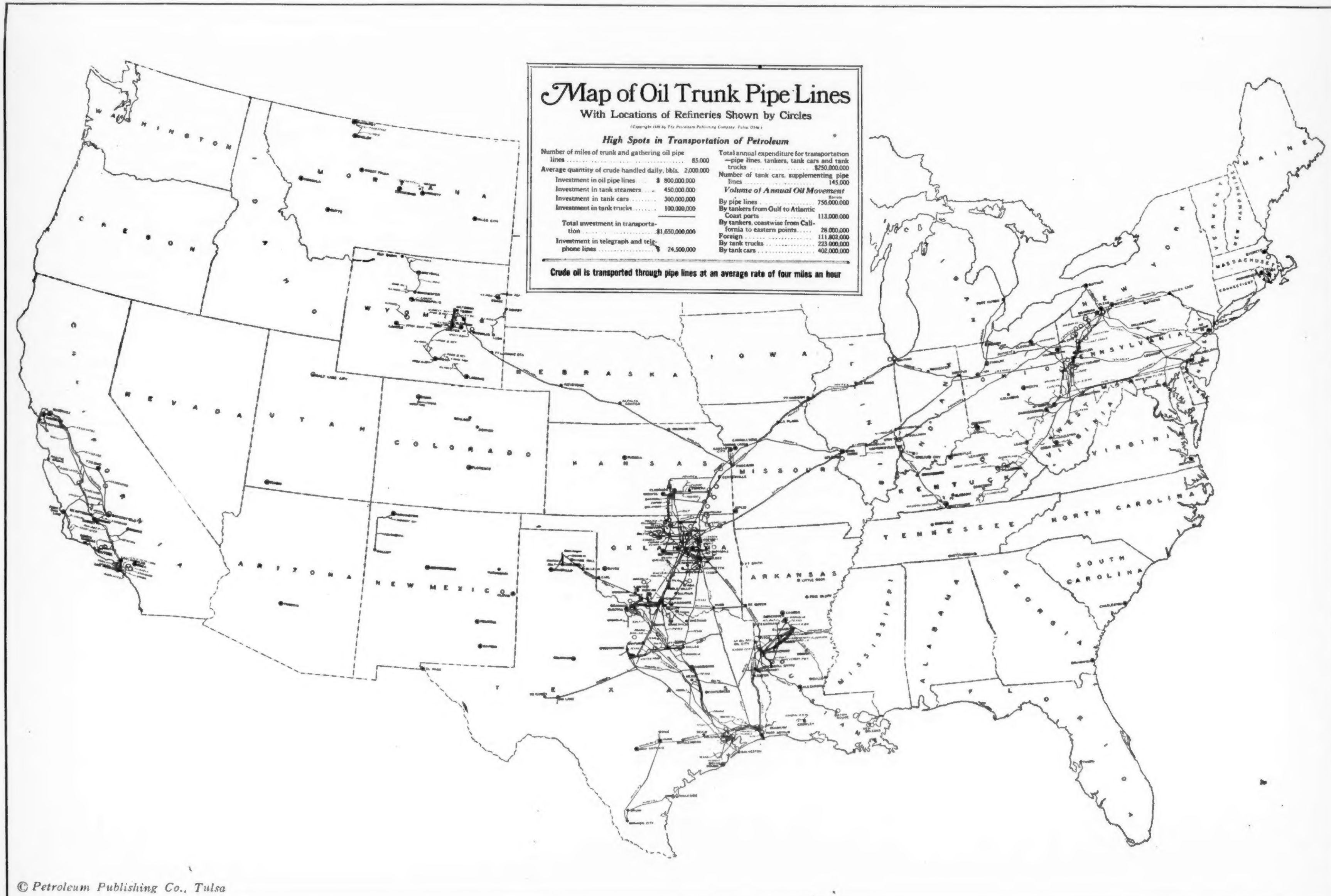
† Includes regular payments only. ‡ After allowing for $15 special dividend. D—Deficit. * As of close of 1926 fiscal year.



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Important Statistics of Leading Mining Companies

Copper Companies

Company	Major Activity	Other activities	Location Principal Plants or Properties	No. Yrs. in Operation	Estimated Present Reserves—Years	1926 Output (Millions)	Rated Annual Capacity lbs. of Copper per Share Common	Cost of Produc'n ¢ per lb.	Total Capitalization Outstand'g (Millions)	3-Yr. Av. Earnings Per Sh. Com.*	3-Yr. Av. Divs. per Share	Recent Price	Div. Rate	Yield (%)
Anaconda Copper Mining	Copper producing	Brass mfr., silver, zinc	Butte, Montana	32	NF	254 lbs.	100	10.5 p	$364.0	4.28	2.25	52	$3	5.8
Calumet & Arizona	Copper producing	Silver	Bisbee, Arizona	2	7½	47.2 "	94	11.0	6.4	2.64	4.00	96	6	6.2
Calumet & Hecla	Copper producing	None	Calumet, Mich.	56	13	104.3 "	57	10.6	50.1	0.25	1.16	18	2	11.1
Cerro de Pasco	Copper producing	Silver, gold, coal	Peru, S. A.	12	4	92.0 "	129	5.0	58.5 s	4.09	4.66	65	4	6.1
Chile Copper Co.	Copper producing	Steamship line	Chile, S. A.	14	80	220.1 "	85	8.1	110.0	2.65	2.50	38	2½	6.6
Granby Consolidated	Copper producing	Silver	Anyox, B. C.	26	5	38.2 "	174	8.5	38.2	nil	none	37	none	..
Greene Cananea	Copper producing	Silver	Cananea, Mexico	21	NF	31.0 "	100	12.0	50.0	0.82	none	83	none	..
Howe Sound	Copper producing	Silver	Brit. Col. & Mexico	24	6-10	33.0 "	72	NF	5.1	2.73	1.33	40	4	10.0
Inspiration Copper	Copper producing	Oil, explosives	Globe, Arizona	16	21	81.7 "	127	12.4	29.6	1.36	1.16	20	none	..
Kennecott Copper	Copper producing	Coal, steamship line	Alaska, Chile, Utah	12	19	454.8 "	129	8.0	25.0	4.38	3.33	81	5	6.2
Magma Copper	Copper producing	Silver, gold	Superior, Ariz.	17	NF	29.1 "	88	7.9	7.0	2.51	1.50	51	3	5.9
Miami Copper	Copper producing	None	Globe, Arizona	20	27	55.3 "	74	11.0	3.7	1.01 d	1.46	16	1½	9.4
Motherlode Coalition	Copper producing	Silver	Kennecott, Alaska	8	NF	27.2 "	12	7.3	2.5 shs	0.17	0.75	2	½	25.0
Nevada Consolidated	Copper producing	None	Nev., Ariz., N. Mex.	23	23	231.1 "	63	10.5	10.0	1.87 n	1.12 n	17	1½	8.8
Seneca Copper Mining	Copper producing	Silver	Mohawk, Mich.	2	20	5.0 "	49	NF	3.9	nil	none	1⅓	none	..
Utah Copper	Copper producing	Railroad	Bingham, Utah	23	36	234.1 "	185	7.9	16.2	6.79	4.50	138	6.3	4.3

Miscellaneous Mining Companies

Company	Major Activity	Other Activities	Location Principal Plants or Properties	No. Yrs. in Operation	Estimated Present Reserves—Years	1926 Output (Millions)	Total Capitalization Outstand'g (Millions)	3-Yr. Av. Earnings Per Sh. Com.*	3-Yr. Av. Divs. per Share	Recent Price	Div. Rate	Yield (%)
Ahumada Lead	Lead Mining	Silver	Chihuahua, Mexico	6	NF	55.6 lbs. lead	$1.2	0.91	0.30	4	none	..
American Metal Co.	Smelting and Refining	Precious Metals	Chrome, N. J.	40	NF	Note W	23.9	4.05	3.42	42	3	7.1

Amer. Smelting	Smelting and Refining	Copper and Lead Mining	Note b	28	NF	Note X	159.0	18.38	6.17	173	$8	4.6
Am. Zinc, Lead & Smelt.	**Zinc and Lead Prod.**	**Limestone**	**Mo., Okla., Tenn., Wis.**	**28**	**NF**	**NF**	**7.2**	**nil**	**none**	**7**	**..**	
Butte & Superior	**Copper and Zinc Mining**	**None**	**Butte, Montana**	**21**	**1-2**	**74.8 lbs zinc**	**2.9**	**1.38**	**1.33**	**10**	**2**	**20.0**
Butte Copper & Zinc	**Zinc Mining**	**Manganese, Copper**	**Butte, Montana**	**12**	**NF**	**.14 tons zn. ore**	**3.0**	**0.39**	**0.50**	**4**	**½**	**12.5**
Callahan Zinc & Lead	**Zinc-Lead Mining**	**Silver**	**Shoshone Cy., Idaho**	**15**	**NF**	**f 30.5 lbs. zinc**	**7.3**	**nil**	**none**	**1½**	**none**	**..**
Consolidation Coal	**Bituminous Coal Mining**	**Railroad**	**Va., W. Va., Pa. and Md.**	**64**	**118**	**15.0 tons**	**79.2**	**nil**	**2.50**	**30**	**none**	**..**
Dome Mines	**Gold Producer**	**None**	**Ontario, Canada**	**4**	**1½**	**$3.9 gold value**	**7.0**	**1.63**	**2.00**	**12**	**1**	**8.3**
Elk Horn Coal	**Bituminous Coal Mining**	**Natural Gas**	**Kentucky and W. Va.**	**12**	**312**	**2.5 tons**	**26.0 s**	**0.12**	**none**	**8**	**none**	**..**
Federal Mining & Smelting	**Lead-Zinc Producing**	**Silver**	**Okla., Kan., Mo.**	**24**	**6**	**Note Y**	**13.0**	**24.84**	**none**	**150**	**10**	**6.7**
Freeport, Texas	**Sulphur Producing**	**Petroleum**	**Brazonia Cy., Texas**	**14**	**..**	**.6 tons**	**7.3**	**1.17**	**none**	**97**	**4**	**4.1**
Glen Alden	**Anthracite Mining**	**None**	**Lackawanna Cy., Pa.**	**61**	**80**	**NF**	**k**	**9.23 j**	**7.36**	**180**	**10**	**5.5**
Homestake Mining	**Gold Mining**	**Tungsten, Coal**	**South Dakota**	**50**	**10½**	**$4.9 gold value**	**25.1**	**2.10**	**7.00**	**70**	**6**	**8.6**
International Nickel	**Nickel and Products**	**Copper**	**Sudbury, Ontario**	**25**	**h**	**NF**	**53.0**	**2.24**	**7.50**	**67**	**2**	**3.0**
Island Creek Coal	**Bituminous Coal Mining**	**None**	**West Virginia**	**17**	**60**	**6.5 tons**	**13.7 s**	**18.70**	**14.70**	**61**	**4**	**6.5**
Lehigh Coal and Navig.	**Anthracite Coal Mining**	**Railroad, Canal**	**Carbon City, Pa.**	**105**	**100**	**4.9**	**47.2**	**4.86**	**6.50**	**106**	**4**	**3.8**
McIntyre Porcupine	**Gold Mining**	**Coal**	**Porcupine Dist., Ontario**	**16**	**3**	**$3.8 gold value**	**4.9**	**1.16**	**1.00**	**28**	**1**	**3.6**
Park Utah	**Silver-Lead Producing**	**Zinc, Copper, Gold**	**Park City, Utah**	**10**	**9**	**Note V**	**2.0**	**0.81**	**0.27**	**7**	**0.80**	**11.4**
Patino Mining & En.	**Tin Mining**	**Bismuth**	**Bolivia**	**4**	**3**	**3.1 lbs. tin**	**27.6**	**2.93**	**3.3 q**	**22**	**2.10**	**9.5**
Penn. Coal & Coke	**Bituminous Coal Mining**	**Public Utilities**	**Pennsylvania**	**16**	**53**	**3.5 tons**	**9.9**	**nil**	**1.33**	**16**	**none**	**..**
Phil. & Read. Coal & Iron	**Anthracite Coal Mining**	**Iron**	**Pennsylvania**	**55**	**200**	**9.8 tons**	**70.1 s**	**0.53**	**none**	**44**	**none**	**..**
Pittsburgh Coal	**Bituminous Coal Mining**	**Railroad**	**Penn., Ky., Ill., Ohio**	**11**	**over 100**	**5.0**	**77.6**	**nil**	**1.33**	**58**	**none**	**..**
Pittsburgh Terminal	**Bituminous Coal Mining**	**None**	**Pennsylvania**	**53**	**31**	**4.1 tons**	**20.4**	**0.96 q**	**none**	**42**	**none**	**..**
St. Joseph Lead	**Lead Producing**	**Railroad**	**Missouri**	**63**	**NF**	**305 lbs. lead**	**19.5**	**4.33**	**2.66**	**37**	**3**	**8.1**
Texas Gulf Sulphur	**Sulphur Producing**	**Petroleum**	**Matagorda Bay, Texas**	**9**	**12-25**	**1.3 tons**	**6.3**	**2.63**	**2.36**	**74**	**4**	**5.4**
U. S. Smelting & Refin.	**Lead, Copper, Zinc**	**Silver, Coal**	**Utah, Nev., N. Mex., Colo.**	**21**	**..**	**Note Z**	**49.9**	**2.50**	**2.21**	**40**	**3½**	**8.8**

* Basis present capitalization.
NF Not available.
b 18 smelters and refining plants throughout country.
d Before depletion.
e Estimated.
f 1923 latest year of reported output.
h Estimated in excess of 50 million tons ore.
j 1924 only—latest available.
k $60,000,000 funded debt and 1,168,639 n. p. shares.
n 1926 output only.
p Approximate figure.
q 1925-1926 only.
s Including surplus.
t Not including extras.

	Millions				
	Lbs. Lead	Lbs. Zinc	Lbs. Copper	Ozs. Silver	Ozs. Gold
V	40	40	2	5.2	.2
W	197	131	431	44.5	.2
X	938	974	1,050	5.5	1.6
Y	93	114	...	1.8	.4
Z	101	34	22	23.4	..

An Authentic Picture of Steel Conditions Today

Position and Nearby Outlook for Industry—Earnings of Leading Companies and Comparative Rating of Stocks

By E. F. WILSON

Price of Semi-Finished and Finished Steel Products—Pittsburgh

Semi-Finished Material	Mar. 1925	Nov. 1925	Nov. 1926	Nov. 1927
Sheet bars O. H.	$38.50	$36.00	$36.00	$34.00
Billets O. H.	37.75	35.00	35.00	33.00
Wire rods	48.00	45.00	45.00	42.50
Finished Material				
Sheet bars	2.10	2.00	2.00	1.75
Tank plates	2.30	1.85	1.90	1.75
Sheets blue annealed No. 10	2.65	2.65	2.40	2.10
Wire nails	2.85	2.65	2.65	2.55
Tinplate per base box	5.50	5.50	5.50	5.30

EARNINGS of the steel industry in the third quarter, as a whole, were decidedly unfavorable, comparing poorly with second quarter returns, and were particularly weak in comparison with those of the third quarter of 1926. The general trend of earnings is indicated by a few of the steel leaders. Thus, U. S. Steel showed $2.15 per share on common, compared with $2.79 in the previous quarter, and $3.58 in the third quarter 1926. The last figure represents return on equivalent of new stock, $5.00 having been earned on the undivided issue. In these same periods Bethlehem earned per share $0.61, $1.86 and $1.57 respectively; Republic Iron & Steel, $0.21, $1.83 and $2.91, while Youngstown showed $1.30, $1.84 and $3.80.

The causes for the drop in earnings were lowered steel prices and low rate of operations. It is generally acknowledged that only low cost operations, through the medium of large expenditures on plant improvement in the past few years, enabled steel concerns to make even so mediocre a showing.

While operating rates of 60 to 70% during summer months are not new to the steel industry, there has practically always been a sharp rebound by early fall, an upturn conspicuous by its absence in 1927. The inability to recover sharply from the low operations of the third quarter, coupled with low prices for steel products, have aroused some doubts in the minds of steel investors as to future prospects. Recent statements of some steel leaders have only served to intensify the situation. An analysis of fourth quarter prospects will serve to indicate how well founded this pessimism may be.

Recent Operations

According to a recent statement of Mr. Grace of Bethlehem Steel, third quarter operations of this company were 69.3% of capacity, compared with 75.6% in the second quarter and 80.3% during the third quarter of 1926. Shipments of the Steel Corporation are understood to have been at a rate of 71% during the third quarter compared with 86% in the previous period.

For the whole industry, operations were approximately 65-70%, which is about 10-15% lower than the second quarter rate. October operations were a trifle higher than the late summer months. The daily ingot production rate was 126,500 tons or 1.8% better than September, but approximately 19% less than October, 1926.

According to returns published by American Iron and Steel Institute, the corporation's daily output in October was 49,640 tons ingots compared with 48,900 in the previous month, while independent operations showed similar slight improvement with 76,860 tons daily compared to September with 75,402.

Ingot production for 1927 for the first ten months is estimated at 7.4% under 1926. Pig iron production in the same period was approximately 6% less this year. While a difference of 7.4% production for this year cannot be considered with dissatisfaction the true guide is the low operations of October, 1927, compared with 1926. A difference of 19% indicates that steel production in 1927 will fall behind 1926 during the remainder of the year.

The decrease in third quarter operations only partially accounts for the relatively poor returns. The largest factor has been low prices for steel products. When it is remembered that in some cases income from rail and water carriers added to revenue in the third quarter, and that this will be a small item in the fourth period, the effect of low prices will be more apparent on earnings.

According to a Bethlehem report, the average billing price for their products was $1.55 lower in the third quarter than in the second. Average steel prices are approximately $4 lower per ton than they were at the beginning of

the year. While large expenditures on plant improvement have aided considerably in making fair returns, these have been possible with high rates of operations only. Low production, low prices present quite a different picture, and it can hardly be expected that improvements, which usually measure economies in fractions of a dollar can overcome so drastic a decline in price of steel products, as that witnessed in the last ten months. According to reports Bethlehem alone spent 167 millions in four years on plant development.

Resistance to Price Cuts? Recent utterances of Grace, Campbell and other leaders leave no room for doubt that present prices cannot produce profits. Composite averages show steel to be selling at 2.346 cents per pound compared with 2.453 cents in January. The situation in pig iron is even worse and adversely affects those concerns whose major industry is production of merchant pig iron. Pre-war price per ton was $16.27, post-war $19.26, and present price $18.88. That there will be a definite unified resistance to further price cuts was intimated recently at the American Iron and Steel Institute meeting. How successful this will be remains to be seen. Competition has been unusually, and perhaps unnecessarily severe, and in some instances where consumers were agreeable to certain prices some producer would cut further to gain some business. While the same hopes were furnished producers by one false sign of strength or another in the few years past, there is reason to hope for better results with the better cooperative spirit indicated when the steel leaders met in October. The recent increase by corporation units on bars, shapes, etc., may be the forerunner of this feeling. The accompanying figures from the Iron Trade Review indicate the severity of the drop in steel prices during the past year or more.

Statistics recently published show a drop of approximately 15% in production from second quarter to third. Ingot production in first quarter was approximately 12 million tons, second quarter 11.6 million and 9.9 in third. Actually July was the low point of the year with 3,178,000 tons, followed by 3,470,000 in August and 3,232,000 in September. October with 3,289,000 showed an 1.8% increase over the previous month and contrasts with 4,074,000 October, 1926. The decrease was largely due to the lack of demand by railroads, oil and automotive industries. Normally these groups constitute about 45% of steel consuming elements so that any marked decline in their needs is evident in steel operations.

The total steel production has been absorbed as over a period of years as follows: railroads, 26%; automotive, 12; oil, gas, water and mining, 8; building construction, 17; export, 5; agricul-

(*Please turn to page* 288)

Earnings of Leading Steel Companies

U. S. Steel

Earnings Per Share	1926	1927	Last Sale	Div. ($)	Yield (%)
1st quarter	2.78	2.81	140	7	5.0
2nd quarter.......	3.00	2.79	...	..	...
3rd quarter.......	3.57	2.15	...	..	...
4th quarter.......	3.49	...	...	..	...

* Figured on present capitalization.

Colorado Fuel & Iron

Earnings Per Share	1926	1927	Last Sale	Div. ($)	Yield (%)
1st quarter	2.30	4.00	76	..	...
2nd quarter	1.56	2.01	...	..	...
3rd quarter	def.	0.08	...	..	...
4th quarter	5.47	...	...	..	...

Bethlehem Steel

Earnings Per Share	1926	1927	Last Sale	Div. ($)	Yield (%)
1st quarter	2.32	2.18	54	..	...
2nd quarter	2.04	1.86	...	..	...
3rd quarter	1.57	0.61	...	..	...
4th quarter	1.55	...	...	..	...

Inland Steel

Earnings Per Share	1926	1927	Last Sale	Div. ($)	Yield (%)
1st quarter	1.15	1.65	53	2.50	4.7
2nd quarter	1.36	1.72	...	..	...
3rd quarter	1.28	0.90	...	..	...
4th quarter	1.66	...	...	..	...

Republic Iron & Steel

Earnings Per Share	1926	1927	Last Sale	Div. ($)	Yield (%)
1st quarter	2.94	2.02	58	4	6.8
2nd quarter	2.28	1.83	...	..	...
3rd quarter	2.91	0.21	...	..	...
4th quarter	2.92	...	...	..	...

Youngstown Sheet & Tube

Earnings Per Share	1926	1927	Last Sale	Div. ($)	Yield (%)
1st quarter	3.60	2.03	86	5	5.6
2nd quarter	3.98	1.84	...	..	...
3rd quarter	3.79	1.30	...	..	...
4th quarter	2.96	...	...	..	...

New Management Improves Status

World's Second Largest Producer of Anthracite —New Head of Company—Market Outlook

By ROBERT DENVER

INTEREST in the Philadelphia & Reading Coal & Iron Corporation has been on the increase since the change in the management voted a month or so ago. Ranking as the world's second largest producer of anthracite coal, the future possibilities of this company are the subject of discussion and favorable comment in financial and trade circles at the moment.

For the man who seeks a return on his investment immediately, the capital stock, of course, offers little or no attraction just now, inasmuch as no dividends are being paid or have been paid since the company was formed to take over the coal and iron properties formerly owned by the Reading Company.

But it is the judgment of keen followers of the situation that holders of the stock who are endowed with the patience to forego immediate return will be amply rewarded within a reasonable period of time. The company has the coal, but there is room for improvement in its marketing methods and facilities, say those who have made a close study of its affairs.

Under the guidance of A. J. Maloney, the man recently elected to the presidency, a complete change in this phase of the situation is assured. The new head is a man unusually well versed in the procedure of marketing, having spent a long and successful career in the bituminous end of the business where he gave special attention to the problems of selling.

He has given assurance of his determination to take hold of and unravel the difficulties which have confronted not only the company of which he is now head, but of the anthracite industry as a whole. In this undertaking he is, it would seem, certain of being able to give his almost undivided attention to the matter of developing new markets and recapturing some portion of the demand lost in recent years, through the adoption of substitutes during the strike period.

Labor Situation Improved

For the next few years at least, labor peace seems assured, the agreement entered into in settling the 1925 strike of hard coal miners having provided for an adjustment of wages satisfactory to producer and miner alike, holding good until the fall of 1930. Thus the company will have an opportunity to concentrate its efforts in the interval to developing new outlets for its production and in the direction of reducing costs of operation.

Formed as a holding corporation in 1923 to acquire from the Reading Company the coal and iron properties ordered segregated from its railroad properties as constituting a violation of the Sherman Anti-Trust Act, the Philadelphia & Reading Coal & Iron Corporation, owns more than 85,000 acres of anthracite lands, and through lease or otherwise controls an added 13,000 acres, located in the unexcelled Pennsylvania anthracite regions.

This area is estimated to contain an unmined tonnage of over 1,900,000,000 tons, which at the current average rate of production, some 10,000,000 tons annually, may be regarded as providing amply for a virtually unimaginable period of time, or almost two centuries.

In keeping with procedure followed by most other well managed mining properties, this company has pursued the policy of writing off liberally for depreciation and depletion.

The record of production and sales in the years from 1920 to 1926 inclusive is given in the accompanying table, figures on production representing the total output from operations by the company and its tenants and from properties owned, controlled or otherwise operated.

The coal company's equipment below ground is of the most modern type, but its above ground facilities, notably its breakers, might be regarded as somewhat deficient, being largely of the older and smaller type which require greater man-power in operation than those of more modern construction. It is apparent therefore that room exists here for economies through the medium of investment in the newer type breakers.

	Tons — Output	Tons — Sales
1920	11,818,542	11,191,258
1921	11,587,999	9,450,278
1922	6,924,283	7,398,974
1923	11,488,511	9,835,474
1924	10,579,001	8,707,598
1925	7,674,635	*7,899,797
1926	9,868,995	7,978,121

* In 1925 when operations were curtailed by the strike the company drew to some extent on its stocks in storage yards.

Costs of Production

Production costs per ton are now about double what they were in the pre-war days. At present the average cost per ton production is about $6.25, whereas in the years before the war the average was somewhere around $3.10. The increased cost of labor, naturally has been the biggest factor in that direction, but it is estimated that higher taxes have added to the extent of about 28 cents a ton, while the increased cost of supplies has contributed about 36 cents.

Yet with prices commanded in the retail market showing comparative or even greater appreciation in the meantime, the inability of this big company to realize a more equitable profit has been rather puzzling. It may be explained partially, however, if one recalls the labor disturbances and suspensions of recent years, and the economic changes wrought in the way of the adoption of oil on a large scale, and other substitutes during those intervals.

For that reason it is apparent that along with reducing operating costs wherever possible, the big problem of the company is to recapture that part of its former market lost through inability at times to supply consumers' needs and to create new demand. Net sales of the company ran as high as $83,511,650 in 1924, including of course those of its iron subsidiary, and in 1923 amounted to $89,195,635, but the profit after taxes and prior to interest charges and depreciation, was only $3,523,382 and $5,728,324 respectively for those years. Thus it is evident the

way is open for improvement in net results through lowering of costs.

Net sales and net income for the last five years follow, figures for 1922, representing the income account of the Philadelphia & Reading Coal & Iron Company:

	Net Sales	Net Income
1922	$52,786,120	*$93,431
1923	89,195,635	4,068,694
1924	83,511,650	1,020,593
1925	70,623,107	4,115,568
1926	78,238,429	447,470

* Deficit.

The iron producing properties are largely given over to the manufacture of wrought iron pipe, cut nails, heavy machinery, pig iron and boiler tubes. Its business in this direction has been helped to some extent by the greater tariff protection, now enjoyed by pig iron. Output is not especially large, running slightly under 200,000 tons last year. Ore for its furnaces is provided by the company's own mines in New Jersey, which also produce a surplus for sale in the open market.

Though earnings of the parent company have not been all that might be desired in the course of the last few years, the corporation has kept itself in sound financial condition. This is evident from the position revealed in the balance sheet at the close of 1926. At that time total assets amounted to $130,236,131, including $31,073,301 in current assets of which $9,726,576 represented notes and accounts due from customers. Including $3,517,306 in bank loans, current liabilities stood at $10,444,761.

Fixed assets, including coal and iron lands, plants, etc., were entered at $94,408,573 against which there was charged off for depreciation depletion of coal lands and leaseholds a total of $16,158,758. Capitalization consisted of $30,011,333 in bonded indebtedness, representing outstanding 5% refunding mortgage bonds of the Philadelphia & Reading Coal & Iron Company.

This issue is followed by an authorized total of 1,400,000 shares of capital stock without par value. Not all the stock has been issued, however, a substantial block being held in the treasury to provide for the conversion of certificates of interest which are yet to be exercised, of which the Baltimore & Ohio Railroad Company is the principal owner. The railroad company is under obligation to either convert or otherwise dispose of the certificates on or before January 1, 1928.

The stock must be rated a long-pull speculation of more than ordinary interest.

Watch for a security feature of great value in the next issue.

Preferred Stock Guide

These stocks are selected as offering best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Baltimore & Ohio	4 (N)	7.8	No	73	52	82	4.9
Chicago & North Western	7 (N)	6.2	No	126	97	148	4.7
Colorado & Southern 1st	4 (N)	8.9	100	66	47	77	5.2
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	F106	F83	107	5.6
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	S4.6	110	X104	X92	108	5.6
North American	3 (C)	7.3	55	52	38	54	5.6
Philadelphia Company	3 (C)	6.5	No	51	41	53	5.7
Public Service New Jersey	8 (C)	3.0	No	124	95	134	5.9
INDUSTRIALS							
American Smelting & Ref.	7 (C)	3.3	No	123	86	131	5.4
American Steel Foundries	7 (C)	7.4	110	115	97	113	6.2
Associated Dry Goods 1st	6 (C)	4.8	No	102	75	109	5.5
Baldwin Locomotive	7 (C)	3.3	125	119	104	123	5.6
Brown Shoe	7 (C)	4.4	120	111	85	120	5.9
Endicott Johnson	7 (C)	4.9	125	120	104	124	5.6
General Motors	7 (C)	12.0	125	122	79	125	5.6
Inland Steel Co.	7 (C)	F8.0	115	F115	F96	116	6.0
Studebaker Corp.	7 (C)	26.8	125	125	100	123	5.6

For Income and Profits

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	75	5.3
Kansas City Southern	4 (N)	4.8	No	68	52	72	5.6
Pere Marquette Prior	5 (C)	10.2	100	96	63	98	5.1
St. Louis-San Francisco	6 (N)	12.0	100	97	34	100	6.0
St. Louis Southwestern	5 (N)	2.6	No	80	32	86	5.8
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	H3.3	100	H89	H48	82	7.3
Continental Gas & Elec.	8 (C)	T4.0	110	T105	94	108	7.4
Engineers Public Service	7 (C)	S2.4	110	X99	X94	107	6.5
Federal Light & Traction	6 (C)	5.0	110	H91	H74	99	6.1
Kansas City Pr. & Lt.	7 (C)	T3.1	115	F110	F91	116	6.0
Hudson & Manhattan R. R. Conv.	5 (N)	5.9	No	80	25	87	5.8
West Penn Electric	7 (C)	....	115	X102	X95	110	6.4
Standard Gas & Elec.	4 (C)	2.5	No	57	41	65	6.2
INDUSTRIALS							
American Cyanamid	6 (C)	3.6	120	96	52	90	6.7
American Metal Co., Ltd.	7 (C)	8.0	110	120	103	109	6.4
American Sugar Refining	7 (C)	1.6	No	110	84	108	6.5
Associated Dry Goods 2nd	7 (C)	6.9	No	110	76	112	6.3
Bethlehem Steel Corp.	7 (C)	3.1	No	105	87	117	6.0
Bush Terminal Buildings	7 (C)	1.1	120	103	87	115	6.0
Central Alloy Steel	7 (C)	....	110	X107	X106	107	6.5
Cuban American Sugar	7 (C)	6.9	No	106	68	102	7.0
Deere & Co.	7 (C)	F1.7	No	110	61	115	6.1
Devoe & Raynolds 1st	7 (C)	T6.1	115	F100	F90	111	6.3
Genl. American Tank Car	7 (C)	3.3	110	109	86	111	6.3
Gimbel Brothers	7 (C)	4.2	115	114	93	97	7.2
Goodrich (B. F.) Co.	7 (C)	3.1	125	102	67	107	6.5
International Silver	7 (C)	2.8	No	108	90	127	5.4
Pillsbury Flour Mills	6½ (C)	....	110	‡106	‡104	107	6.0
Reid Ice Cream	7 (C)	T6.9	110	T100	T92	110	6.3
U. S. Cast Iron Pipe	7 (N)	5.0	No	118	50	123	5.6
U. S. Industrial Alcohol	7 (C)	4.3	125	115	89	117	6.0

SEMI-SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Gulf, Mobile & Northern	6 (C)	1.6	No	109	16	107	5.6
Wabash "A"	5 (N)	....	110	78	19	94	5.3
PUBLIC UTILITIES							
Electric Power & Light	7 (C)	1.7	110	99	89	106	6.6
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	T97	80	107	6.5
Consolidated Cigar	7 (C)	4.4	110	107	47	102	6.9
Goodyear Tire & Rubber new	7 (C)	....	....	....	...	95	7.4
International Paper	7 (C)	1.6	115	T100	T86	106	6.6
Mid-Continent Petroleum	7 (C)	8.1	120	109	80	104	6.7
Orpheum Circuit Conv.	8 (C)	3.0	110	107	84	102	7.8
Radio Corp. of America	3.5 (C)	F3.6	55	F54	F40	57	6.1
U. S. Smelt., Ref. & Mng.	3.5 (C)	1.2	No	50	38	49	7.1
Universal Pictures 1st	8 (C)	7.6	110	T103	T90	99	8.1
Victor Talking Machine Prior	7 (C)	S5.4	115	‡100	‡97	98	7.1

† Cumulative up to 5%. F—Four years. H—Three years. T—Two years. S—One year. X—Price range 1926. § 1922-1926. C—Cumulative. N—Non-cumulative. ‡ 1927.

An Index to Judging the Value of Merchandising Stocks

A Significant Tabulation of 31 Leading Issues

By FERDINAND OTTER

THE thirty-one corporations represented in the accompanying tabulation operate between 23,000 and 24,000 stores and in 1927 will handle merchandise selling for about two and a half billion dollars. Exclusive of the Great Atlantic & Pacific Tea Company, privately owned and conservatively worth $500,000,000 if valued on the basis of the selling price of other merchandising corporations, the securities of these companies, bonds and stocks, are appraised in the stock market at not less than $2,500,000,000. It is startling to reflect that "big business" has obtained this foothold in the store industry in a single generation. Incidentally, the list does not include such important chains as the Piggly Wiggly, Safeway, Metropolitan, David Pender, Child's, Shraffts, Huyler's, Grant, Grand, Newberry, U. S. Stores, National Grocery, Great Eastern, James Butler, Reeves, Loft, Happiness Candy, Fanny Farmer, Dominion Stores, Waldorf System, Thompson, Sanitary and many others.

Tens of thousands of privately owned stores have been absorbed into larger systems or forced out of business by chain store competition. Employers of yesterday have had to become employees. "Cash and carry" has made for more economical retail distribution, savings to consumers and thrift, and is accomplishing the abolition of a pernicious credit system. The social changes have been tremendous. They are still going on.

Those who have seen the possibilities in the chain store idea have made fortunes and fortunes still are being made. Witness the rise of the Woolworths, the Kresges, the Whelans, the Schultes and other new capitalists. Here is an industry which has served well and which, like all industries that serve well, is being well rewarded. The big merchandising system which is not prosperous is the exception. Even this year, when most businesses have suffered from a smaller volume, some of the chain store systems have experienced as much as a 40% increase in sales and the industry as a whole is about 15% ahead of last year.

The table is its own story; but a few words of interpretation may be helpful. Of course, figures never tell the whole truth, especially figures relating to comparative values back of speculative securities. A few years ago a table like this would have proved conclusively that the stock of National Cloak & Suit was cheaper than that of Woolworth or Sears, Roebuck & Company, whereas the opposite was the case. Matters of social and industrial changes, management, character of business, territory served, classes of population reached, financial stability, trade standing, capitalization, relative valuation of securities, probable growth, merchandising policies, merger value and competition are most important considerations in judging store stock investments. Because G. R. Kinney Company is appraised at 7 cents per dollar of sales volume and Woolworth is selling at $2.68 per dollar of sales volume one cannot conclude that Kinney is the cheapest of all the store stocks and Woolworth is the dearest.

To establish a basis on which to compare capitalization, the annual sales volume of each company has been divided by the number of common shares outstanding. To establish a basis on which to compare stock market appraisal of the various common stock issues, the price of each common stock issue has been divided by the number of dollars of annual sales volume that share represents. Naturally, a dollar of sales volume earning 11 cents net is worth more than a dollar of sales volume earning 2 cents net, and naturally the capitalization ratio obtained by this method does not take into consideration the highly important matter of real estate equities, which bulk so large in Woolworth, United Cigar Stores, Schulte and other high-valued stocks.

Faulty and mechanical as it is, however, the table is helpful. It shows the distant possibilities in stocks like Kinney, Gimbel, National Department Stores and National Bellas Hess, provided the companies in question can be established on a sound earnings basis. It stresses the fact that the price of issues like Woolworth, Kresge, Kress and Sears, Roebuck & Company must be justified partly by future growth. It provides a basis on which to compare some of the new department store issues. It suggests that the spread between two issues like Montgomery Ward & Company and Sears, Roebuck & Company is too wide. It challenges the investor to determine for himself why one department store issue sells so far out of line with another. The reader who studies it with care will derive much benefit.

Facts About Leading Merchandising Issues

	Annual Sales		Capital Structure	Per Common Share							Stock Market Appraisal of $1.00 of Annual Sales Volume
	Total	Per Share		Latest Earnings	Annual Dividend	Recent Price	Approx. Yield %	Selling Times per Share Earnings (Times)	1927 Range High	Low	
Department Stores											
Abraham & Straus..	$26,000,000[3]	$167.74	$197,500 F. D. $4,250,000 Pfd. 155,000 Sh. Com.	$7.41[2]	None	110	None	14.8	114	62¼	$0.64
Arnold Constable....	15,000,000[3]	68.06	220,390½ Sh. com No bonds No pfd.	3.50[3]	None	42	None	12.0	53	21	0.73
Assoc. Dry Goods...	n. f.	n. f.	$20,544,200 Pfd. 599,400 Sh. com. No bonds	4.21[2]	$2.50	47	5.3	11.1	52	39½	N. F.
Best & Co.........	12,500,000[3]	83.33	$950,000 F. D. $463,100 Pfd. 150,000 Sh. Com.	6.00[3]	3.00	55	5.5	9.1	59⅝	49⅜	0.62
Bloomingdale	24,513,457[2]	81.71	$3,550,000 Pfd. 300,000 Sh. com. No bonds	3.31[2]	None	42	None	12.6	42¼	34	0.51

	Annual Sales Total	Annual Sales Per Share	Capital Structure	Per Common Share: Latest Earnings	Annual Dividend	Recent Price	Approx. Yield %	Selling Times per Share Earnings (Times)	1927 Range High	1927 Range Low	Stock Market Appraisal of $1.00 of Annual Sales Volume
Department Stores Continued											
City Stores..........	19,000,000[3]	115.64[4]	$2,315,000 F. D. $1,391,283 Minority Stock 80,793 Sh. $3.50 Cl. A 163,318 Sh. common	6.00[5]	None	54[4]	None	9.0[4]	55[4]	41½[4]	0.46
Emporium-Capwell..	22,514,141[6]	62.52	$7,500,000 F. D. $2,666,000 Misc. 360,000 Sh. com.	2.24[6]	2.00	30	6.7	13.4	37½	30	0.48
Gimbel Bros.........	130,000,000[3]	196.22	$27,471,000 F. D. $21,000,000 Pfd. 622,500 Sh. com.	3.03[2]	None	39	None	13.0	59	37½	0.19
Hartman Corporation	17,000,000[3]	42.78[4]	$1,629,250 F. D. 47,789 Sh. Class A 397,227 Sh. Class B	2.75[3]	10%[7]	21[4]	11.4[8]	7.6	29⅜[4]	20[4]	0.49
Kresge Dept. Stores.	10,000,000[3]	41.06	$3,540,380 Pfd. 243,524 Sh. com.	Def.	None	12	None	Def.	17½	10	0.29
Macy	80,000,000[3]	228.54	$7,500,000 F. D. 350,000 Sh. com.	13.18[2]	5.00	225	2.2	17.3	242¼	124	0.98
Mandel Bros........	28,087,114[9]	89.67	313,000 Sh. com. No pfd. No F. D.	5.07[9]	2.50	43	5.8	8.4	49¾	40⅞	0.48
May Dept. Stores...	125,000,000[10]	109.26	$2,778,000 F. D. 1,144,000 Sh. com.	6.36[2]	4.00	88	4.6	13.8	90⅝	66¾	0.80
National Dept. Stores	82,026,059[2]	149.20	$11,152,516 F. D. $14,548,200 Pfd. 550,000 Sh. com.	.84[2]	None	21	None	25.0	27⅝	20¼	0.14
Oppenheim Collins.	21,140,398[11]	105.70	$6,231,000 F. D. 200,000 Sh. com.	8.35[11]	4.00	75	5.3	9.0	77⅝	58½	0.70
The Outlet..........	10,000,000[3]	100.00	$3,765,800 Pfd. 100,000 Sh. com.	6.33[2]	4.00	83	4.8	13.1	83	52¾	0.83
The Fair...........	27,443,000[2]	73.18	$4,000,000 375,000 Sh. com.	3.78[2]	2.40	33	7.2	9.8	36	24¼	0.45
Chain Stores											
Great A. & P. Tea..	500,000,000[12]	250.97	$23,727,000 Pfd. 1,992,218 Sh. com. No F. D.	6.10[12]	3.00	14	14	14	14	14	14
Jewel Tea...........	14,568,258[9]	121.40	$2,550,000 Pfd. 120,000 Sh. com. No F. D.	8.89[9]	None	72	None	9.0	73¾	52½	0.59
First National Stores	60,000,000[3]	100.84	$4,991,700 Pfd. 595,000 Sh. com. No F. D.	2.50[3]	1.50	26	5.8	10.4	30	19¼	0.25
Kinney, G. R........	24,806,069[9]	413.73	$1,841,500 F. D. $5,427,400 Pfd. 60,000 Sh. com.	3.00[3]	None	29	None	9.6	45	19¾	0.07
Kresge, S. S........	133,000,000[3]	36.15	$9,876,869 F. D. $2,000,000 3,678,620 Sh. com.	3.50[3]	1.20	74	1.6	21.1	77¼	45⅞	2.04
Kress	56,000,000[3]	58.33	$480,000 Pfd. 960,000 Sh. com. No F. D.	4.53[9]	1.00[13]	93	1.0[13]	20.5	105½	59	21.59
McCrory Stores.....	38,000,000[3]	83.37	$9,437,077 F. D. $5,000,000 Pfd. 455,772 Sh. com.	4.75[3]	1.60	81[15]	1.9	17.0	86[15]	55[15]	0.97
National Tea.......	56,000,000[3]	373.33	$702,000 F. D. $3,260,000 Pfd. 150,000 Sh. com.	10.50[3]	4.00	169	2.4	16.0	174¼	108	0.45
Schulte	41,000,000[3]	36.73	$28,156,100 F. D. $9,425,000 Pfd. 1,116,152 Sh. com.	5.00[3]	3.50	51	6.9	10.2	57	47	1.39
United Cigar Stores..	87,262,000[9]	17.85	$20,000,000 Pfd. 4,999,194 Sh. com.	2.00[9]	.80[16]	34	7.3[17]	17.0	38⅛	32⅝	1.90
Woolworth	280,000,000[3]	71.79	$12,932,500 F. D. 3,900,000 Sh. com.	9.00[3]	5.00	193	2.5	21.4	196¾	117¾	2.68
Mail Order Houses											
Montgomery-Ward ..	200,000,000[3]	175.24	$5,750,000 F. D. 205,000 Sh. Class A 1,141,251 Sh. com.	9.00[3]	4.00	86	4.7	9.5	86	60⅜	0.49
National Bellas Hess	40,000,000[3]	200.00	$6,624,700 Pfd. 200,000 Sh. com.	2.00[3]	None	37	None	18.5	44¼	31⅛	0.18
Sears-Roebuck	290,000,000[3]	69.04	4,200,000 Sh. com. No Pfd. No F. D.	7.00[3]	2.50	79	3.1	11.3	79⅛	51	1.14

NOTES: (1) This column ignores market appraisal of securities senior to common stock, the figures in it being obtained by dividing recent price by annual sales volume per common share. (2) Year ended January 31, 1927. (3) Estimated, current fiscal period. (4) Class B stock. (5) Estimated on Class B for year to end January 31, 1928. (6) Year ended July 31, 1927, including new properties. (7) Payable in Class A stock recently selling at 24. (8) On basis of 24 for Class A stock. (9) Year ended December 31, 1926. (10) Estimated for year ended January 31, 1927, including recently acquired properties. (11) Year ended July 31, 1927. (12) Year ended February 28, 1927. (13) Plus extras in preferred stock. (14) Stock privately held, no public quotation. (15) Class A. (16) Plus 5% in common stock. (17) Including stock dividend.

"Intelligent Use of Present Income Will Assure Financial Independence"

Building Your Future Income

An Educational Department

~ TO-DAY ~
THE YOUNG EXECUTIVE

This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.

Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in schools and universities; and, in their own homes and offices.

~ TO-MORROW ~
THE BUSINESS LEADER

The Education Fund

A SUBSCRIBER wrote us recently of his difficulty in saving any appreciable portion of his income in view of the fact that his family numbered a wife and twelve children. We are still marveling over his ability to insert the words "appreciable portion." Certainly his problem is difficult and one that will be sympathetically recognized by many whose offspring are far less numerous. Today, when families of the class to whom we naturally look to perpetuate the best in our civilization average scarcely two children each, the demands of the present-day standard of living seem to impose an equal or greater burden on the family budget than in the days of our forefathers whose families were more of the order of magnitude set by our correspondent.

Along with the cost of the many luxuries and conveniences which we have come to regard in the light of necessities has come an increased cost of education. Particularly is this true of the higher education which in this age of specialization seems increasingly necessary to equip the rising generation for the battle of life. Dean Gauss of Princeton recently estimated the cost of a college education—making due allowance for the years of postponed earning power—at approximately $10,000.

If there is only one child who is to enjoy a special training, such a sum, or even a modest multiple thereof, is of no little moment in almost any family's finances; and if the expense is not to involve untoward sacrifice, it should be planned for long before the time when it will be needed.

Insurance companies offer suitably maturing policies to provide the funds to defray the expense of a college education. Elsewhere in these pages are to be found several queries from readers on this subject, together with replies and suggestions by the insurance editor which should prove helpful to those whose situation is at all analagous. Another means of providing an educational fund is through investment, involving systematic saving such as building and loan shares or the installment purchasing of sound income-bearing securities.

Whatever the means chosen, however, early provision for the ultimate demand is quite obviously the important feature. Let the feeling of having afforded the best for the children contribute to the peace of mind of later years.

The Real Cost of Small Loans

A Compilation of Figures Prepared Specially for The Magazine of Wall Street by Rolf Nugent, Department of Remedial Loans, Russel Sage Foundation

TYPE OF LENDING INSTITUTION	USUAL SECURITY	EXTENT OF OPERATION	APPROXIMATE ANNUAL INTEREST RATE
Loan Sharks (Operating in defiance of usury laws)	Wage Assignments Chattel Mortgages (furniture, autos)	30 or more states 24 states without Uniform Small Loan Law	240—480% 180—300%
Unregulated Pawnbrokers (Operating in defiance of usury laws)	Jewelry and other pledges	22 states without regulatory laws	60%—up
Small Loan Companies (Operating under Uniform Small Loan Law)	Chattel Mortgages Wage Assignments	24 states having Uniform Small Loan Law	36—42%
Regulated Pawnbrokers (Operating under regulatory legislation)	Jewelry and other pledges	26 states	24—60%
Second Mortgage Companies and Private Second Mortgage Lenders (Operating for most part without legal sanction)	Second and Third Real Estate Mortgages	All states	15—60%
Industrial Banks (Loan and investment companies, "Morris Plan," etc.)	Co-Makers, Second Mortgages Investment Securities	Under special legislation in 23 states (1927) and in several other states without enabling legislation	17—35% 13—24%
Remedial Loan Societies (semi-philanthropic) (Provident Loan Society, New York, Workingmen's Loan Association, Boston, etc.)	Jewelry, Chattel Mortgages, etc.	28 societies in 18 states	12—30%
"Axias" (Racial loan associations, operating without legal sanction)	Co-Makers	Large industrial communities	12—30%
Credit Unions (Cooperative loan and thrift societies)	Co-Makers, Second Mortgages, other Security	27 states with credit union laws	7—15%
Building and Loan Associations (Cooperative)	Real Estate Mortgages	All states	6—18%
Banks	Investment Securities, First Mortgages	All states	6—10%

Be Your Own Money-Lender

It Will Pay You from 10% to 480% Per Annum

THOSE who do not save money may be divided into two classes—first the class that simply has not the backbone and determination to eliminate extravagance and reckless spending from their lives. They mean well. They hope to save "something, sometime." But they never do! And there is very little to be done for such people. Inspiration and encouragement may get them started on the Road To Thrift, but will not keep them going.

There is also a second group of spendthrifts—those who do not *believe in thrift,* conscientiously and sincerely think that thrift does not serve any purpose in their lives. When they need money, they say, they will get it somehow and in the meantime they will spend their income in the manner that best suits their taste. This type of person is not weak-willed; nor is he ignorant. The four or five per cent that his savings will earn, offers no incentive to save. It is a miserly return. He can spend his money to better advantage elsewhere and somehow "get by" when he needs ready cash.

That's the catch to this theory. Can you actually *get* money in a pinch *or do you just think that you can?* Are you familiar with the small loan market? Do you know the rates? Are you not a bit too optimistic about "getting by" when ready cash is needed in any emergency?

If so study the figures carefully in the tabulation published above. These are actual facts, prepared by an expert in the small loan field, and not guesses or theories. These are the rates that you can earn for yourself in addition to that "measly four or five percent" by saving money regularly and becoming your own money lender in times of stress or emergency.

Laying the Foundation For a Secondary Income

The Income Building Problem of a Professional Couple

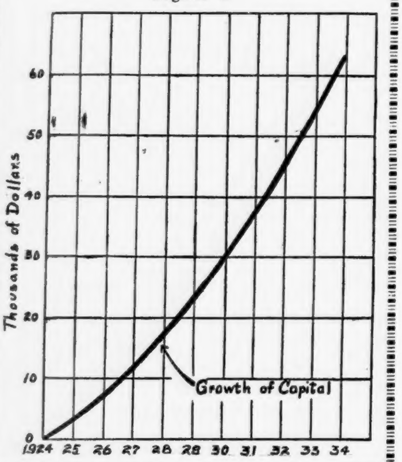
By T. D. T.

Schedule for Accumulating a Capital of $60,000

Table I

	Savings	Income from Investments	Total accumulated at end of year
1924	$000	$000	$000
1925	3,000	000	3,000
1926	3,500	180	6,680
1927	4,000	401	11,091
1928	4,450	665	16,206
1929	4,900	972	22,078
1930	5,350	1,325	28,753
1931	5,800	1,725	36,278
1932	5,800	2,177	44,255
1933	5,800	2,655	52,710
1934	5,800	3,163	61,673

Figure I



I HAVE read many of the plans for financial independence published in THE MAGAZINE OF WALL STREET and every one I have found interesting and profitable. Because my plan seems different in several respects from those I have read, I am submitting it in the belief that it may interest some of your readers. It must be evaluated as a plan, not as a record of past performances, though it has been followed successfully for three years.

In 1924 both my wife and I began college teaching in the same town. The expense of post-graduate study had exhausted all our funds so when we began our new work we started, financially, from scratch. Our complete lack of funds naturally made us interested in money matters during the first month or two. Our interest in financial affairs was intensified by the carefree spending of most of our friends. Their beautiful fur coats, their luxurious automobiles and their expensive entertaining made us ask each other: How *do* they do it? Before long, now one and then another of our friends ran into "rainy days" and thus we learned that they were spending their money as fast as they earned it.

Profiting by their experiences—some of them really pathetic—we made up our mind to follow an entirely different financial policy. Some of you who read this plan will say we have leaned over backward in our efforts to provide for the rainy days. We readily admit this possibility but we do not regard it as blameworthy to lean over backward where so many of our friends are rushing pellmell down the steep slope of extravagance at the bottom of which lies the mire of Dependent Old Age.

We were greatly helped to see finance in what we believe is its true perspective by THE MAGAZINE OF WALL STREET, at first bought at a news-stand but now regularly subscribed to. Stimulated by its many practical suggestions, we resolved to lay the foundations of a secondary income for the rainy days we were certain would come but which our friends persisted in ignoring. We decided that a secondary income of $3,600 would be sufficient for our needs; consequently, we have set $60,000 as our goal for the present. This $60,000 invested to give an average return of 6% would, we argued, give us our secondary income in increasing annual amounts as shown in Table I and Figure 1.

Some of the most difficult obstacles in our path were purely psychological ones, traits which are part of many teachers. Like most other human beings, teachers have a large admixture of conceit. Also, coming, as most of them do, from rather humble surroundings, teachers are sometimes "social climbers." They aspire to be included among the "best people" of the town where they are employed. These aspirations rest upon a foundation of bridge parties, dinners, trips, clothes and automobiles, in other words, upon financial "showing off."

If our $60,000 goal was to be attained we realized that we would have to forego most if not all of these "necessities"—and forego them we did. We neither give nor attend bridge parties nor dinners; we take no trips, except on the long vacations at Christmas and Easter; our clothes we buy when and because we need them and, believe it or not, we do not own an automobile! Aren't we terribly unpopular? you may ask, gentle reader. We answer, "No." We have gradually trained our friends not to expect from us their signs of opulence. Perhaps over the cards our friends may call us names—tight-wads or stingy—but these terms are merely the whips which lash our associates into conformity, i. e., into wasteful spending.

OUR BUDGET FOR 1927

EXPENSES

A. Monthly Fixed Charges:	
Rent	$40.00
Gas	.50
Electricity	1.25
Aid to Parents........	30.00
Food	30.00
Books	15.00
Total	$116.75
B. Annual Fixed Charges:	
Teachers' Retirement	$262.00
Clothing	200.00
Periodicals	75.00
Traveling Expenses	300.00
Gifts and Taxes	212.00
Summer School—	
Rent	137.00
Tuition	100.00
Recreation and Entertaining	90.00
Total	$1,076.00

INCOME

Regular Salary	$6,550
Summer Salary	335
Total	$6,885

EXPENDITURES

Monthly Fixed Charges multiplied by 12	$1,401.00
Annual Fixed Charges	1,076.00
Total Fixed Charges........	$2,477.00
Total Income	$6,885.00
Total Fixed Charges	2,477.00
Balance for Investing	$4,408.00

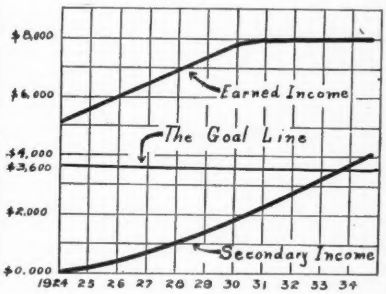
This article is more than a Savings Plan. It is a real study of the psychological obstacles that stand in the way of successful wealth accumulation, and a practical method of overcoming these difficulties. The author learned at an early date that it is impossible to eat one's cake and have it too—so he decided to devote his income to the creation of an investment reserve that would stand him and his family in good stead in later years.

Annual Advances Toward the $3,600 Goal Line

Table II

	Earned Income	Secondary Income at End of Year
1924	$5,200	$000
1925	5,650	180
1926	6,100	401
1927	6,550	665
1928	7,000	972
1929	7,450	1,325
1930	7,900	1,725
1931	8,000	2,177
1932	8,000	2,655
1933	8,000	3,163
1934	8,000	3,700

Figure II



The financial plan presented here is based upon both our salaries which have an annual increase up to a combined maximum of $8,000 a year. Before reaching its present form, our budget experienced a good deal of "trial and error." During our first year we saved about $2,000. Then we had our first rainy day. The parents of one of us had to be assisted in buying a house and making necessary repairs. These expenses exhausted our $2,000. We had merely gone around the track and were back again at scratch, ready to begin the race anew. The second year we saved $3,000. In the third year our savings were $3,500, thanks to the annual increase. The budget, which we have followed for the past three years and which we feel certain will carry us to our $60,000 goal, barring murder or the hangman, is shown on these pages.

Teaching is seasonal work. Our monthly pay checks arrive only ten times a year but our expenses are on the well-known twelve-month basis. So far during the Summers of the years covered by our plan we have attended the Summer session of a university in a city. One of us has been teaching during the Summers at the same university. For this teaching he receives a small compensation that helps to reduce the deficit which characterizes all our Summers. Because of the seasonal nature of our work, two classifications of expenses have been made in our budget: Monthly Fixed Charges and Annual Fixed Charges.

We are living in a small town, consequently, as our budget shows, our living expenses are moderate. The four-room apartment for which we pay $40 a month, heat included, is in the business section and within five-minutes' walk of our work. Gas is supplied on the quarter-in-the-meter plan. Since we are near the shops and our work, we have all our meals at home. The $15 a month for books may seem excessive but books are a necessity for our jobs. At present prices $15 doesn't buy many books.

Among our Annual Fixed Charges is 4% of our salaries for the Teachers' Retirement Fund. At present this charge is $262. This amount is deducted in monthly installments from our salaries before our pay comes to us. If and when we give up teaching, the entire sum we shall have paid in will be refunded to us. To many of our teacher-friends this retirement fund is their sole provision for financial independence. It has been completely disregarded in our plans, however, since such funds, we feel, are at the mercy of the vagaries of politicians. If we should ever receive anything from this fund it will be a "gift."

The $75 we pay for periodicals includes both professional and general publications. In the former class we place THE MAGAZINE OF WALL STREET. The $300 Travelling Expenses to visit our relations at Christmas and Easter vacations and the $90 spent during Summer School comprise about all the money we spend for sporting. Both of us enjoy the out-of-doors — camping and hiking — and thus we get our fun out of pleasures that are inexpensive.

Until we arrive at our goal we intend to maintain our present standard of living. Our annual increases in salary, therefore, will be added to the Balance for Investing. In four years our combined salaries will reach their maximum, $8,000 and our Balance for Investment will then reach

(Please turn to page 298)

PRIZE CONTEST WINNERS

will be announced in the Christmas (December 17) Issue

AN APPRECIATION—

Thanks to the active interest and hearty cooperation of B Y F I readers, our latest prize contest has proven to be one of the most successful contests ever conducted by this department. Readers may look forward with keen anticipation to the pleasure of reading unusually interesting and practical articles on investments, thrift plans and home owning, in the "stories" sent in by contestants that will be published in subsequent issues on these pages.

How Shall We Protect Their *Future?*

Inquiries from Readers Who Are Concerned with Guaranteeing Education and Income for Their Children

By FLORENCE PROVOST CLARENDON

Insurance Editor:

As a reader of your magazine, I am desirous of obtaining some information regarding Educational or Endowment Insurance for my daughter, 14 months old. It is requested that you send me the names and home office addresses of the best companies to apply to for this type of insurance. Enclosed is a stamped envelope for purposes of answering. Yours very truly, W. E. R.

I am in receipt of your letter asking information regarding insurance to provide proceeds for an educational or endowment for your little daughter, now 14 months old.

We have advocated the placing of life insurance on the life of the parent, or breadwinner, for the benefit of the child, rather than on the life of the child. If insurance is placed on the child's life and the parent—father or mother—dies, it is possible that funds may not be forthcoming to continue the premium payments. On the other hand, if the policy is taken on the life of the father for the benefit of the child—let us say on a 15-Year or 20-Year Endowment form—and the father dies before the maturity of the Endowment, the proceeds of the policy are immediately available for the young beneficiary. They may be held by the insurance company until the funds are needed for the child's education, with yearly interest accumulating on the proceeds; or they may be paid over to a duly appointed guardian who will use the money for the purposes designated.

We would suggest that you consider taking a 15-Year Endowment on your own life for the benefit of your child, with proceeds payable in four or five annual instalments—the policy say for $4,000. This would be available for her higher educational expenses. A further policy for $2,000, or more if you so desire, taken on the 20-Year Endowment plan would provide a generous endowment for your daughter when she reaches her majority.

Practically all of the Old Line companies will write these forms. I enclose rate slip of an Old Line company which lies conveniently beside me, these rates being on a non-participating basis. The participating rates would call for a premium of from 20% to 25% higher, reducible by annual dividends. If you wish rates of any particular company, I shall be glad to obtain them for you, with application blank.

For the Education of a Seven-Weeks-Old

Insurance Editor:

I have a seven-weeks' old baby and wish to know what is the best form of insurance to take out to insure his education. I have been offered a policy which insures the life of the child and maturing in twenty years. This particular policy is issued by the———company and costs twenty-five cents a week. It has cash surrender values, endowment values and paid up life values.

Do you consider this policy preferable to one taken on the life of the parents, the proceeds of which could be used as an educational fund for the child. The mother of the child is 37 and the father is 42. With these facts, will you kindly advise me what is the best thing for me to do. Thanking you for your courtesy, I am, very truly yours. J. C. McC.

Insurance by weekly payments serves an essential need for workers on small salaries who can budget their expenses in this way to provide for policies of a few hundred dollars, and also secure a funeral benefit which may be needed at a critical time. For the man whose business position permits him to consider life insurance for $1,000 or more, weekly payment policies are not the type he should seek.

I would advise the placing of insurance on the life of the parent, or breadwinner, for the benefit of a child, rather than on the life of the child. At your age of 42 you can secure $1,000 at death or at the end of 20 years for an annual premium of less than $44—approximately 85 cents per week; but of course you do not pay this in weekly doles. You will find that this is a much better return for your money than the "industrial" insurance on your child's life, while if the child were to die the loan or cash value of the insurance would provide necessary funeral benefit.

If the father's policy includes the Disability Benefit, the coverage is made still broader, because then, in event of his total and permanent disability occurring prior to the maturity of the Endowment, all premiums on the policy will be waived, and the insured himself will enter on an annuity income of 1% per month of the face of the policy payable up to the time of the maturity of the Endowment. On maturity, the *full proceeds* of the policy will then be available for the benefit of the child's education, or it can be drawn in instalments thereafter for five years if so desired. Total and permanent disability must occur (according to the contracts of many companies) prior to age 60.

Income for the Daughter

Insurance Editor:

I wish to take advantage of your offer to answer questions about insurance problems because I would like to get information concerning insurance for my daughter. I desire to direct in my will that a certain sum from my estate shall be used for the purchase of an annuity in favor of my daughter; payments to begin as soon as possible after my death. Is there any insurance company (or companies) from which I can buy an annuity in this manner? My age is fifty-one and my daughter is sixteen years old at present. Thanking you for your attention to this request, I am, yours truly, M. R. M.

If you are in physical condition to pass the usual examination, I would suggest that you take insurance on your life, naming your daughter as beneficiary. You can thus immediately set up an estate for her, with proceeds *immediately payable on your death*. The proceeds of the life insurance could be made payable as an annuity monthly income for life. It should be definitely stipulated when applying for the policy

(Please turn to page 266)

How To Analyze Your Investment Holdings

A Series of Educational Investment Articles

Western Pacific Railroad

1st Mortgage, Series A, 5s, 1946

WESTERN PACIFIC has come into considerable prominence during the past year because of its strategic position in connection with the larger systems of the West and the valuable outlet which it provides to the Pacific. Hence, it is a factor in more than one of the great mergers proposed.

Although classed as one of the smaller roads, operating only 1,046 miles, its main line forms a connection between the San Francisco area and Salt Lake City, thence over the Denver and Rio Grande, which it jointly owns with Missouri Pacific, to Denver. For nearly a quarter of a century it has been in the position of a road with a high property valuation and relatively low earning power, because, until recently, of the slow development of the territory between its terminals. During the past ten years, however, it has succeeded in practically doubling its traffic.

While it is grouped with Atchison by the I. C. C., and would also form a desirable purchase for Southern Pacific, the acquisition of a controlling interest last year by Arthur Curtis James would rather indicate that its destinies lay with Burlington and hence in the Great Northern-Northern Pacific merger. Whether under this impetus or not, the road is embarking on a reconstruction program to extend over a period of five years. Moreover, a major part of this rebuilding and extension of feeder facilities is expected to be financed through earnings. While this extensive program somewhat impairs the dividend prospects of the preferred stock it strengthens, rather than weakens, the position of these bonds. The funded debt of Western Pacific constitutes only 31% of total capitalization, and, averaging the past ten years, interest charges have been earned thereon 2.25 times. Last year was also in line with this average, but large expenditures in maintenance of road and equipment give evidence of reducing the margin this year in spite of a larger indicated gross revenue. Any reduction in net, however, is no more than a reflection of the rebuilding program and hence an increasing in the physical security of the bonds.

The 1st mortgage 5s are the senior obligation of the road. Of the fifty million authorized, 33 million are outstanding, constituting 73% of the total debt. They are secured by a prior lien on 1,093 miles of road and deposited securities aggregating $949,500.

While the yield of 5% is slightly below the average of the other securities in our table, these bonds represent not only prime security but bring to the group the highly essential quality of diversity.

BYFI'S INVESTMENT SUGGESTIONS

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings banks accounts are recommended for deposits of regular savings, to yield	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953	105	5.15%

THE NEXT $1,000

†International Mercantile Marine 1st & coll. 6s, 1941	105	5.48%
*Montreal Tramway gen. & ref. 5s, 1955	97	5.20%
‡†N. Y. Steam Corp. 6s, 1947	108	5.34%
†Western Pacific 1st 5s, 1946	100	5.00%

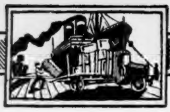
$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952	97	5.20%
Shulco Co., Inc., Guar., Ser. "B" 6½s, 1946	103	6.23%
U. S. Rubber 1st 5s, 1947	93	5.56%
West Penn Electric $7 Pfd.	110	6.40%
U. S. Smelting & Ref. $3½ Pfd.	49	7.10%
American Sugar Refining $7 Pfd.	108	6.50%

THE NEXT $5,000 (a)

Seaboard Air Line 1st Cons. 6s, 1945	97	6.30%
Nassau Electric 4s, 1951	56	8.23
Western Maryland 1st 4s, 1952	87	4.92%
Brooklyn-Man. Tr. $6 Pfd.	81	7.40%
International Paper, $7 Pfd.	106	6.60
‡American Tel. & Tel. common ($9)	180	5.10%

* Available in $100 units. † Available in $500 units.
‡ Recommended to hold only.
(a) This group is selected with a view toward probable enhancement in principal.



Business Turns for the Better

Closing Weeks Give Promise of Increased Activity as Buying Increases and Prices Strengthen

STEEL

Buying Picks Up

THERE have been so many false starts in an upward direction in the past two or three months that an element of uncertainty enters into the situation whenever reports are circulated that the steel industry has turned the corner. Now, however, definite signs are evident that substantial revival is getting underway; more confidence is noted in the attitude of buyers; prices are firmer and steel makers are favoring increased operating schedules with a view toward speeding up volume of production. Steel Corporation mills are leaning toward greater activity and independents seem likely to follow suit. Incidentally, the Steel Corporation is in an excellent condition to augment productive capacity in view of the sharp upturn in unfilled orders as of October 31. If bookings of other companies have

(*Please turn to page* 293)

COMMODITIES*

(See footnote for Grades and Unit of Measure)

	1927 High	1927 Low	*Last
Steel (1)	$35.00	$33.00	$33.00
Pig Iron (2)....	19.00	17.00	17.00
Copper (3)	0.13⅝	0.12½	0.13⅝
Petroleum (4) ..	1.90	1.03	1.28
Coal (5)	2.37	1.75	1.75
Cotton (6)	0.24⅜	0.12½	0.19⅜
Wheat (7)	1.58½	1.37⅞	1.51⅜
Corn (8)	1.21⅜	0.85¼	1.03¼
Hogs (9)	0.12¼	0.08⅞	0.09
Steers (10)	17.00	0.10½	17.00
Coffee (11)	0.16¼	0.13⅛	0.14⅜
Rubber (12)	0.42⅜	0.30	0.37⅜
Wool (13)	0.45	0.42½	0.47
Tobacco (14) ...	0.12	0.12	0.12
Sugar (15)	0.05⅛	0.04½	0.04⅝
Sugar (16)	0.06½	0.05⅞	0.05⅞
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18) ...	23.15	19.15	20.83

* Nov. 19.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c, per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—An upward movement is apparent in steel. Prices are firmer and the recent advance in bars, plates and shapes is doubtless a forerunner of further strength. Output should reflect substantial increase as demand broadens. Railroads are still most active purchasers.

METALS—European buying of copper shows little evidence of restraint and domestic demand is growing in volume. Producers are now asking 13¾ cents and present rate of consumption suggests further advance. The market for lead and zinc is steadily evincing more strength, with further improvement likely to be witnessed.

PETROLEUM—While crude oil production has been considerably curtailed, the present supply of stocks is too large to permit any great improvement in the immediate situation. Restrictive measures, however, are aiding the industry to slowly work into a better position and prospects for the future are slowly improving.

TOBACCO—Government crop report estimates that production of tobacco will be about 1,190,357,000 pounds this year as compared with 1,301,211,000 pounds in 1926. With consumption, on the other hand, continuing its steady ascent there is a possibility that manufacturers may encounter shorter supplies and higher raw material prices.

SUGAR—Efforts of Cuban Government to induce leading European beet-sugar producing countries to cooperate in regulating world's output of sugar give every evidence of being successful. The chief effect will be the stabilizing of markets, which already evidence increasing confidence.

LEATHER—Markets are firm, with hide prices scoring another gain. Demand continues active and prices are in a position to show further improvement in view of generally low condition of stocks. Production of boots and shoes in September showed a decline of 1,271,000 pairs as compared with the preceding month but is up 2,116,000 pairs from the total reported in the same month a year ago.

PAPER—Production of newsprint continues at rate in excess of present consumption requirements. As a result of over-rapid expansion lowering of operating schedules has taken place and the unequal pace of consumption and production will undoubtedly enter into the price situation when contracting for the new season begins.

SUMMARY—Conditions still maintain an irregular appearance, but the number of industries facing brighter prospects is increasing and constructive factors considerably outnumber unfavorable influences. Commodity markets are stronger and increased buying offers encouragement for coming months.

·SERVICE·SECTION·

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription. Inquiries from non-subscribers of course cannot be answered.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1 *Be brief.*
2 *Confine requests for an opinion to three securities.*
3 *Write name and address plainly.*

B. F. GOODRICH

At your suggestion several months ago I bought 25 shares of B. F. Goodrich stock at 52. I bought it for investment purposes but I have such a substantial market profit that I am wondering whether you would suggest selling the stock now?—E. P. N., Pittsburgh, Pa.

At the end of 1926, B. F. Goodrich reduced inventories to a minimum, the wisdom of which has been well manifested in the current year to date. Unlike many of its competitors, the company has not been harrassed by uncertain fluctuations of crude rubber prices, and in the face of exceedingly keen competition, together with generally lower price levels of finished rubber goods, it was able to report earnings in the first six months equal to $7.58 a common share, with present indications of a balance in excess of $15 a share for the full year. Financial condition is comfortable, and the generally favorable situation gives rise to the possibility of action in the not distant future regarding an upward revision in dividends over the $4 annual rate on the common now prevailing, or something in the nature of an extraordinary disbursement. We do not believe possibilities of some further price appreciation are entirely exhausted, and would counsel holding.

BUTTE COPPER & ZINC

Some years ago I bought some Butte Copper & Zinc Mining Stock. It has not been a very satisfactory investment as I paid 4½ for my stock. What is this company's outlook?—V. T. L., Norfolk, Va.

Butte Copper & Zinc was formed in 1904, but did not become an active producer until 1916. Since that year its mines have been producing, chiefly, manganese and zinc, with some silver, lead and copper. In July, 1915, its properties were leased to Anaconda for five years, and in 1917 a new lease was negotiated to extend to 1931, unless terminated on six months' notice by Anaconda. That lease provides that net earnings from ores recovered be divided equally between both companies, Anaconda agreeing to keep the properties in good condition. Earnings of Butte Copper & Zinc reached their peak in 1918, declining sharply in 1919. Favorable metal prices made it possible for the company to show a balance of 77 cents a share on the 600,000 shares outstanding in 1920, followed by mediocre profits in subsequent years to a balance of 63 cents a share in 1925 and 32 cents in 1926. Results in the first nine months this year were equal to only 9 cents a share against 22 cents in the same period of 1926. Satisfactorily profitable operations are possible only during times of the most favorable metal prices, and despite some tendency toward hardening in the recent past, prices remain far below the level necessary to permit Butte to make a good showing. We see little in the situation to warrant enthusiasm, and believe liquidation of your holdings advisable.

P. LORILLARD

When Lorillard was selling at around 30 last year I bought 20 shares on your advice. I see very little about the company in the newspapers and am no good at reading the financial statements I get. I can now buy ten shares additional but do not know whether to do so or not. What would you advise?—L. A. R., Rochester, New York.

Earnings of P. Lorillard have been subject to considerable fluctuation in recent years, with the general trend downward, to a balance of $2.58 a share in 1926 against $3.77 a share in 1925. The unsatisfactory tendency has been due, primarily, to the absence of a popular priced cigarette product with which to compete, successfully, with lower priced brands of other companies. To correct this situation Lorillard has introduced a new brand, known as "Old Gold," to retail at a popular price. Sales of the new brand are now understood to be running 20 million cigarettes daily compared with 12 millions daily in July. However, these activities entail huge expenditures for advertising and other purposes, so that it is practically certain that earnings in the full 1927 year will be substantially lower than those reported in 1926. Further, through new financing, charges ahead of common stock have undergone considerable increase, and it has been necessary to omit dividends on the junior shares. The company is in position to make a

(*Please turn to page 276*)

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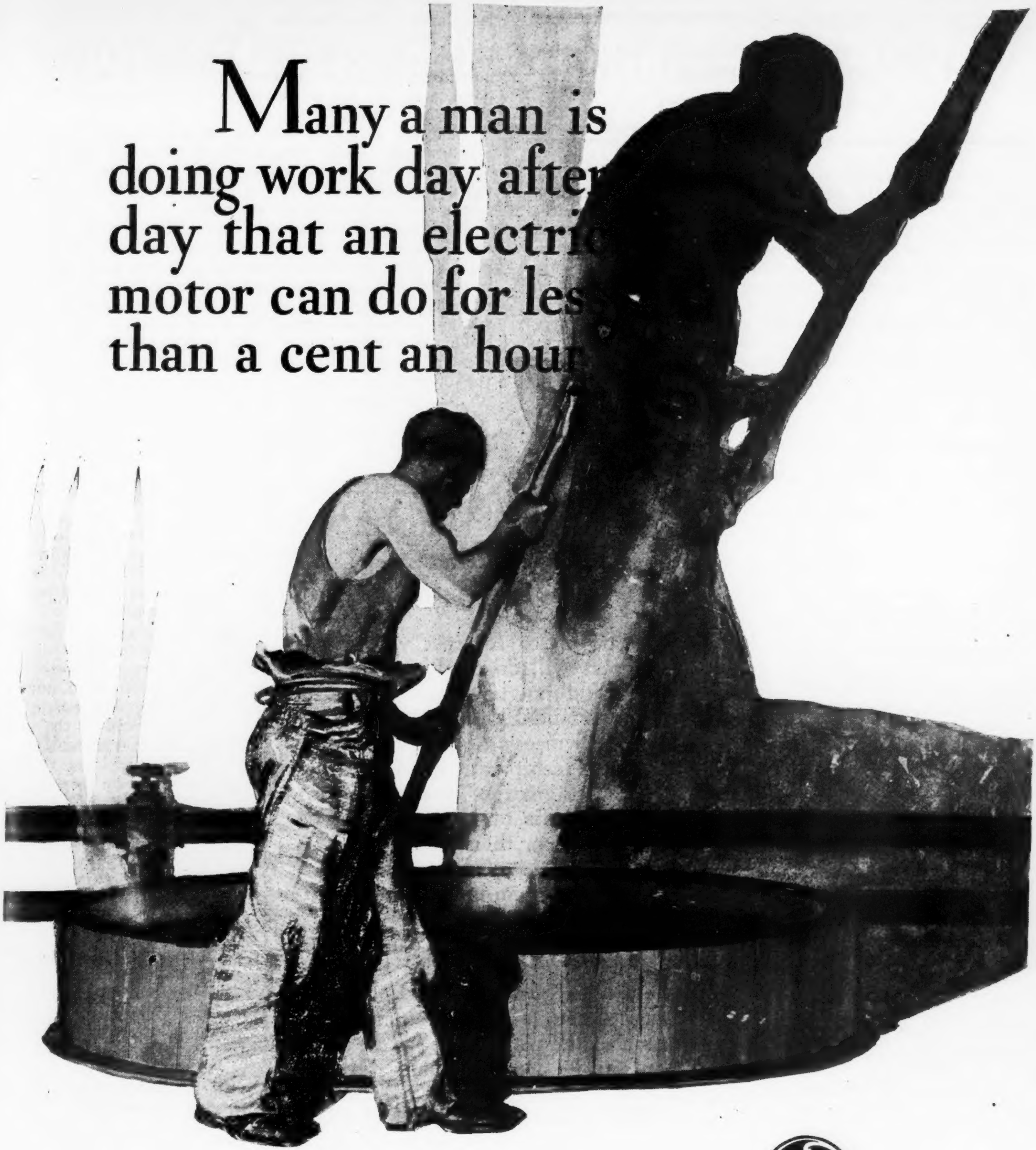

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GENERAL ELECTRIC

WHAT CONGRESS PLANS TO DO FOR BUSINESS

(*Continued from page* 219)

Electric Light Association, the American Electric Railway Association and the American Gas Association. Its head is George B. Cortelyou; its chief Washington representative is Josiah T. Newcomb. It claims to represent industries in which there is a total investment of more than $18,000,000,000; into one branch of them, electric power, new capital has been pouring at the rate of around a half billion a year.

Senator Walsh of Montana states that he will press for passage a resolution he introduced at the last Congress for a comprehensive investigation of the power industry. He denies that the proposal is in any sense hostile to the industry and asserts that it has for its purpose solely the procuring of information for guidance in establishing, if need be, a new national policy as to electric power. The present policy comprehends only some of the factors of the problem, chiefly those having to do with the development of water power on sites owned or within the jurisdiction of the Federal Government. This policy is embodied in the Federal Water Power Act of 1920, under the operation of which there has been enormous stimulation of water power development.

Congress threatens continuously to make exceptions to the program laid down in that act, by which water power sites are leased for periods of fifty years, with reversion at the end to the government. Muscle Shoals is the most eminent of the proposed exceptions. A strong element in Congress would have the government operate its plant there, and some would extend government operation to further power developments on the Tennessee river. The power people oppose this, holding that it would mean a move toward extensive government ownership, which they say would be a radical and dangerous departure from American tradition and practice.

The same issue is the biggest one that is involved in the proposed treble-purpose development of the Colorado river, where, the government ownership advocates say, power as a by-product could be made to pay the entire cost of protecting the Imperial Valley from possibly disastrous floods and for providing water for irrigating millions of acres of now useless lands. Developments here will be worth watching.

The issue is entwined with other proposed projects, such as ones having to do with the Columbia river basin in the northwest, the huge St. Lawrence river development proposal, and, but not so pointedly, with flood control in the Mississippi Valley.

Whatever policy is adopted with reference to specific projects, there will remain the question of the government's future attitude towards the preponderant part of the power industry which, in any event, will continue for a long time at least in private hands.

So, broadly, there are two problems for Congress to solve. One has to do with the extent, if any, the government shall go into the business of producing power for sale, in the manner, say, that the Province of Ontario in Canada now does. The other has to do with regulation, after the manner of present regulation of the railroads.

This last is being kept in the background by the government ownership advocates, but, from the point of view of the investment world, it is probably the biggest question of all. For government ownership and operation is now urged by its authentic advocates in Congress as a process—an illustrative one, for instance—of regulation. Muscle Shoals should be retained, say they, as a key to the power situation in the South and as a sort of national laboratory for power-cost demonstrations.

Representatives of the power industry apparently are concentrating their opposition on the more dangerous question of government ownership, making no open criticism of the principle of government regulation, but holding that as yet there is no occasion for the setting up of an establishment like the Interstate Commerce Commission for regulating the power industry. This industry is singularly adapted for torture in the smoking cauldron of long debate. Financially, it is already predominantly national and interstate. Tendency towards concentrating control of it in the hands of a few groups leads inevitably to "monopoly," say members of Congress who share the radical viewpoint—members like Senator Norris of Nebraska. They hold that this tendency towards financial consolidation is expedited by the economic forces which properly make for operative weldings, as represented by the growing net-work of "super-power" interconnections between producing establishments. Yet, operatively, the industry still is predominantly local; and, distributively, it is only fragmentarily inter-state. Only five to six per cent of all the electric energy now produced in the country flows across State lines and nearly every State now has

(*Please turn to page* 264)

Trying to Put Each Other in a Hole

(The Insurgent Point of View)

By Sen. Geo. W. Norris of Nebraska

"IN trying to forecast what Congress will do at this session, it should not be forgotten that a Presidential campaign impends, which means the intensifying of partisanship which at such times makes for stagnation," says Senator George W. Norris of Nebraska. "The political parties, or their leaders, will be more interested in efforts to put each other in the hole than in achieving needed legislation.

"Hence about all anyone can do is to express hopes. Personally, I hope the Muscle Shoals question will be settled, and I am of course for the retention and operation of the plant there by the Government. The Boulder Dam development should also be provided for in full form with power as a by-product of an operation of vital importance as flood protection for the Imperial Valley.

"A new revenue act will be passed. I think it highly important that the inheritance tax be retained in that act. I believe it would be much more advisable to increase the tax on large estates than to repeal them. The people who are behind the proposal of repeal are really against any inheritance taxes being imposed, by either the Federal or State Governments.

"I am not optimistic about any worth while provision for farm relief being

(*Please turn to page* 292)

WHAT CONGRESS PLANS TO DO FOR BUSINESS

(*Continued from page* 262)

a regulating agency which comprehends the industry's operations.

Beyond, possibly, a final disposing of the Muscle Shoals plant, and a decision as to the Boulder Dam project, Congress isn't likely to do anything decisive about the problem at this session, though it is highly probable that the inquiry urged by Senator Walsh will be ordered.

"If the South will agree on what should be done with Muscle Shoals and the Southwest reach a similar agreement as to the Colorado river project, Congress will settle both of these phases of the power problem," says one of the floor leaders whose opinion as to such things means much. "These projects haven't been kept in suspense by disagreement over the bigger phases of the problem, but because the sections directly concerned have been in disagreement as to what should be done."

Two other important public utility questions will be to the front again at this session but perhaps not so conspicuously as the one having to do with electric power.

One relates to the railroads. Effort will be made to bring about the passage of a railway consolidation measure of the kind known in the last Congress as the Parker-Watson bill. This would allow for voluntary consolidation under the supervision of the Interstate Commerce Commission and would get rid of the straight-jacket scheme embodied in the Transportation Act of 1920, and now held by all to be impracticable. But this is a kind of problem which proves unusually elusive when politics is rife, as just before a Presidential campaign, and in all likelihood the present situation as to the railroads will not be changed at the present session.

One phase of the transportation problem is apt to come up for much discussion of the heated kind and probable action. This is the one embodied in the so-called Hoch-Smith resolution which was adopted several years ago as primarily a "farm relief" measure. It provides for an overhauling of the freight rate structure and directs the Interstate Commerce Commission to consider general "conditions" in any industry, or section, when making rate adjustments. The matter has come pointedly to the front on account of the Lake cargo coal rate case, which involves competition between the bituminous mines of the South and mines further North. This is a many-angled problem, involving many deep-seated equations, one of them political. The independence of the Interstate Commerce Commission of politico-legislative control is at stake. The prospect is that the problem will be solved by repealing the resolution which gives it imminence. Otherwise, there will be a strong movement in Congress for distributing the membership of the Interstate Commerce Commission along regional lines so that all sections may be assured of selfish representation in that body.

The commission is to make a report to Congress on its investigation of motor-bus operations, now a public utility item of large aggregate proportions. There will be bills for putting the interstate phases of these operations under Federal regulation, presumably by the Interstate Commerce Commission. Since the bulk of the bus lines are now individual enterprises, interstate traffic only a small proportion, the chances are that nothing for the present will be done concerning them.

There will be the customary flood of proposals relating to immigration. Efforts will be made both to tighten and loosen present quota restrictions. The big issue may be as to whether the quota rule should be applied to immigration from points on this hemisphere, thus restricting present free influx from Canada and Mexico. Business, as represented by the United States Chamber of Commerce, is opposed to such restriction.

Ocean shipping will again be the subject of much logger-head debate, with little prospect of much change in the status quo. Notice was given at the last session of the old Congress, by members whose voices as to the shipping problem are regarded usually as authoritative, that steps would be taken during the first session of the new Congress to make government ownership and operation of ocean-going vessels a virtually permanent policy. The issue probably will hang on the question of whether the Shipping Board will be allowed, as its ruling membership desires, to strengthen its fleet of war-time emergency vessels with new ships, better adapted to present needs.

It is possible that the House and Senate will agree at this session, as they could not do at the last session of the old Congress, on what should be done with the hundreds of millions of dollars' worth of alien property still being held under the seizure procedure of war time. It is probable that at least a large portion of it will be returned to its owners, which would release millions of money for new investment.

The prohibition question is primarily moral and social rather than economic, but the pro-boozers are trying to put a business aspect on it by representing that legitimate wetness could be made to pour a billion a year into federal revenues—with great relief to tax-burdened business. The debates will be odoriferous of drink, but Congress as a whole still counts more votes in dry oratory than in wet—and the favorite subject of political conversation in smoking rooms will be pushed on for the national convention to dodge.

Such is the picture insofar as it can be drawn in anticipation with particu-

(*Please turn to page* 266)

New Issue November 17, 1927

General Cable Corporation

First Mortgage 5½% Sinking Fund Gold Bonds, Series A

Present Issue $16,000,000

Dated July 1, 1927 Due July 1, 1947

Authorized and outstanding, Series A, $16,000,000. Coupon bonds in interchangeable denominations of $1,000 and $500, registerable as to principal only. Principal and interest payable in New York City at the principal office of the corporate trustee. Interest payable January 1 and July 1 without deduction for Federal Income Tax not exceeding 2% per annum. Redeemable as a whole, or in part by lot, on any interest date on 30 days' notice, at 105 and accrued interest. The mortgage contains a provision regarding refund of the Pennsylvania Four-Mill Tax to holders of Series A bonds. Central Union Trust Company of New York, Corporate Trustee

The mortgage provides for an annual sinking fund for Series A bonds of $400,000, payable in equal semi-annual instalments commencing July 1, 1929, to be used to retire such bonds, by purchase at not exceeding 105 and accrued interest or, if not so obtainable, by redemption by lot at that price, but the company has the right to surrender Series A bonds at cost (not exceeding the redemption price) in lieu of cash payments to the sinking fund.

The company has agreed to make application to list these Series A bonds on the New York Stock Exchange.

The following information has been summarized by Mr. W. F. Field, Vice-President of General Cable Corporation, from his letter dated November 16, 1927, copies of which may be obtained upon request, and is subject to the more complete information contained therein:

BUSINESS

General Cable Corporation, a New Jersey corporation, formerly Safety Cable Company, has acquired the entire business and assets, and has assumed certain liabilities, of Rome Wire Company, Standard Underground Cable Company and Dudlo Manufacturing Corporation. These four constituent companies, manufacturers of copper wire and related products largely used in the electrical industry, rank among the oldest and most prominent manufacturers of their several lines of products in the United States. General Cable Corporation has also acquired the sheet mill and rod and wire mill, at Baltimore, Md., with appurtenant assets, formerly owned by Baltimore Copper Smelting and Rolling Company, and has assumed certain liabilities in connection therewith.

EARNINGS

Combined annual earnings of the properties and companies now owned by General Cable Corporation, for the four years ended December 31, 1926, including the results of operation of the sheet mill but not of the rod and wire mill (construction of latter completed in 1926) formerly of Baltimore Copper Smelting and Rolling Company, after depreciation adjusted to a uniform basis for all properties, and after eliminating bonuses and non-recurring charges (averaging together $208,851 per annum for the four-year period), but before interest and Federal income taxes, have been certified by Messrs. Peat, Marwick, Mitchell & Co., public accountants, as follows:

1923	$7,493,200
1924	7,872,963
1925	6,415,014
1926	5,681,470

Combined earnings as shown above averaged $6,865,662 per annum for the four-year period, or approximately 7.8 times the maximum annual interest requirement of $880,000 on the Series A bonds. Such combined earnings for the six months ended June 30, 1927 (a period during which unsatisfactory conditions existed in the industry), including the results of operation of the rod and wire mill, as certified by Messrs. Peat, Marwick, Mitchell & Co., were $2,150,455, or at the rate of nearly 5 times the above maximum interest requirement.

SECURITY

The Series A bonds, in the opinion of counsel, are the direct obligation of General Cable Corporation specifically secured by first mortgage lien upon substantially all the land and buildings, and machinery and equipment thereon, owned by the company. The aggregate sound value of the properties subject to the mortgage, as severally and independently appraised for the different companies, together with subsequent additions at cost and with adjustments of depreciation on a uniform basis, to June 30, 1927, is in excess of $30,000,000.

The Series A bonds are limited in principal amount to $16,000,000. Additional First Mortgage Bonds of other series may be issued, under the restrictions set forth in the mortgage, for refunding and for permanent additions to be subjected to the mortgage.

ASSETS

The consolidated balance sheet of General Cable Corporation and wholly-owned subsidiaries, as at June 30, 1927, after giving effect to the acquisition of assets and the assumption of liabilities as above, to the recapitalization of General Cable Corporation and to other adjustments, as certified by Messrs. Peat, Marwick, Mitchell & Co., shows current assets of $28,206,567 as compared with current liabilities of $5,425,123. Net current assets alone, as shown, are equal to nearly one and one-half times the amount of the Series A bonds, and net tangible assets, after deducting all liabilities except the bonds, are $50,120,071, or more than three times the amount of the Series A bonds. Fixed assets are included at approximately 80% of appraised sound value, adjusted to June 30, 1927.

PURPOSE OF ISSUE

The Series A bonds, together with $15,000,000 par value of 7% Cumulative Preferred Stock, 400,000 shares of convertible Class A Stock without par value and 440,000 shares of Common Stock without par value, have been issued by General Cable Corporation in connection with the acquisition of assets as above outlined and the readjustment of its capital structure.

Of the total issue of $16,000,000 Series A bonds, $11,682,000 have been retained in part payment for assets. We offer the balance of $4,318,000, subject to prior sale.

Legal proceedings have been approved by counsel and it is expected that delivery will be made on or about November 29, 1927, in the form of temporary bonds of the company.

Price 99 and accrued interest. To yield 5.58%

Dillon, Read & Co. **Kissel, Kinnicutt & Co.**

(*Continued from page* 264)

lar relation to business. Congress is not an easily predictable body, except at short distance.

However much the preliminary unrest of a new revolt of radicalism or progressivism may boil, men of conservative inclinations are firmly in the leadership of the regular and dominant wings of both of the old parties as represented in Congress. The radical element is of immediate potential significance in the Senate alone, where, were it of mind to, it could wield a decisive balance of power. But, lacking an elder La Follette, it apparently is not of a mind to, being practically without leadership.

And Coolidge, now unswayed by selfish ambition, with Mellon on his right hand and Hoover on his left, still occupies the White House. That dam will hold against all high waters of innovation.

INSURANCE DEPARTMENT

(*Continued from page* 256)

that the beneficiary is to receive the proceeds as monthly income, and cannot otherwise draw against the fund.

Assuming that you took a policy for $10,000 the annual premium would be approximately $450 on the 20-Payment Life plan and $395 on the Ordinary Life plan, at your present age of 51. This is on a non-participating basis, and gives you an idea at once of the net cost. The participating policies on the same basis would require an annual premium of about 20% or 25% more, reducible by annual dividends.

The exact return to the beneficiary would depend upon her age when claim is made against the policy by the death of the insured. The following figures give you an idea of what might be expected from a $10,000 policy:

Age of beneficiary at death of insured	Amount of each Monthly Instalment
20	$38.30
25	39.50
30	41.00
35	42.80
40	45.00

You can of course, if you prefer, set aside a stated sum and direct in your will that it be used to purchase an Immediate Annuity for your daughter at your death. The amount of the annuity in that case also would of course depend upon her age at the time the purchase price was paid.

An Educational Fund for Sister

Insurance Editor:

Four brothers, one of whom is myself, and all young men between the ages of 20 and 30 have agreed to jointly pay the tuition of their sister through college and medical school. I would appreciate your advice as to the advisability of insuring her life, at least until her schooling were completed. Our thought is that in the event of accident or death we might be reimbursed for the amount spent on her education. There is

(*Please turn to page* 268)

(Continued from page 266)

no idea of her paying us back, after she has finished school.

What kind of insurance would you suggest and what would you advise us as to the form of indicating beneficiaries under the policy taken out. Any other information, advice or assistance that you can give us will be greatly appreciated. Yours very truly, H. W. W.

I have your letter regarding insurance placed on the life of your sister, whose college courses are being funded by four brothers.

I would suggest that if this is done the insurance be in the form of an Endowment on her life, providing protection for the expenses incurred in event of her untimely death, with the brothers named as beneficiaries; and in the happy event that she lives on to follow her profession and round out a useful life, she can continue the Endowment policy as a thrift fund to mature for her own benefit later in life.

The premiums on this policy if payable proportionately by the four brothers during the educational courses would not be a strain, as the annual cost would thus be divided among them. When the sister enters on her professional career, and her earning power commences, she can take over the maintenance of this Endowment personally. It will teach her the ways of thrift, help her in practicing present self-denial to attain valuable benefits later in life, and the beneficiaries would still be protected in event of her death prior to the maturity of the Endowment.

The cost for the Endowment form of policy placed on the life of a girl of, say, eighteen, is approximately as follows, per $1,000 of insurance:

10 Year Endowment.......	$89.26
15 Year Endowment.......	56.00
20 Year Endowment.......	40.00
25 Year Endowment.......	30.00
30 Year Endowment.......	24.05

Facts

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	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1926 High	Post-War Period 1919-1926 Low	1927 High	1927 Low	Last Sale 11/22/27	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	172	91¾	200	161¾	192⅜	‡7
Do. Pfd.	106¾	96	102⅛	75	102	72	104¾	99⅞	104¾	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	205¾	174⅞	192½	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	109¾	27⅝	125	106½	117⅛	6
Do. Pfd.	96	77¼	80	48¼	73	38½	83	73¼	†81½	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	70⅞	53	56½	4
Do. Pfd.	..	..	..	..	89¾	31⅜	88	78⅛	82	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	202⅞	165	195	10
Chesapeake & Ohio	92	51⅛	71	35⅝	178⅝	46	218½	151¾	209	10
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	19⅜	9	†15¼	
Do. Pfd.	181	130½	143	62⅛	76	7	34¾	18⅝	29	
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	97½	78⅜	90¼	4
Chicago, R. I. & Pacific	..	..	45¾	16	71¼	19⅛	116	68½	107	5
Do. 7% Pfd.	..	..	94¾	44	108	64	111¼	102¾	110¾	7
Do. 6% Pfd.	..	..	80	35¾	98	54	104	95¼	†103	6
Delaware & Hudson	200	147½	159½	87	183½	83¼	230	171⅛	184	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	140⅞	130⅛	139	‡6
Erie	61¼	33½	59½	18¾	42	7	69¾	39½	62⅝	
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	55¼	11⅛	66¼	52⅜	62	
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	50¼	7⅛	64½	49	61	
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	103⅞	79⅝	99¼	5
Hudson & Manhattan	..	..	..	..	41½	20⅝	65⅞	40½	53⅛	2½
Illinois Central	162⅛	102¾	115	85¾	131	80⅞	139⅞	121⅛	134⅛	7
Interboro Rap. Transit	..	..	..	..	53¾	9½	52⅛	30½	†34	
Kansas City Southern	50¼	21⅜	35⅛	13½	51⅜	13	70½	41¼	63¾	
Do. Pfd.	75½	56	65½	40	68¾	40	72⅞	64⅞	72¼	4
Lehigh Valley	121¼	62½	87⅛	50⅜	106	39½	137½	88½	96¼	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	159⅛	128⅞	153¾	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	47⅛	*¾	56½	31½	44	
Do. Pfd.	*78¼	*46	*60	*6½	96¼	*2	108	95¾	107	6
Missouri Pacific	*77½	*21½	38½	19⅞	45	8¼	62	37⅞	53¾	
Do. Pfd.	..	..	64⅞	37⅛	95	22¼	118⅝	90⅛	115¾	
N. Y. Central	147¾	90⅜	114¼	62⅛	147½	64⅛	171½	157¼	163¼	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	135¾	110	126⅛	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	48⅜	9⅝	58⅝	41⅝	53½	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	41¾	23¼	35⅜	1
Norfolk & Western	119¼	84¼	147⅛	92⅝	170⅞	84¼	201½	156	200⅛	‡8
Northern Pacific	150½	101¾	118⅞	75	99⅞	47⅞	98⅞	78	98⅝	5
Pennsylvania	75⅝	53	61⅛	40¼	57⅛	32¼	68	56¾	65	3½
Pere Marquette	*36½	*15	38⅛	9½	122	12⅛	140¾	114½	129¼	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	135¼	21⅛	174	122	†147	6
Reading	89⅝	59	115½	60⅛	108	51⅞	123¾	94	107	‡4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	43	40½	†42	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	50	43¾	45⅛	2
St. Louis-San Fran.	*74	*13	50½	21	103½	10¾	117¼	100¾	110½	‡7
St. Louis Southwestern	40⅜	18½	32⅛	11	74	10⅞	98	61	81⅞	
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	41¼	28⅛	30⅜	
Do. Pfd.	56½	23½	58	15⅛	51½	3	45⅜	32½	39⅛	
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	125⅝	106¼	121⅛	6
Southern Railway	34	18	36¾	12½	131¼	24¾	141¾	119	140⅜	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	100⅝	94	†100¼	5
Texas & Pacific	40½	10¼	29½	6⅛	70½	14	103⅞	53⅞	99	
Union Pacific	219	137¾	164⅜	101¼	168⅜	110	197⅜	159½	192⅛	10
Do. Pfd.	118½	79¾	86	69	81¼	61¼	85½	77	85	4
Wabash	*27⅞	*2	17½	7	52	6	81	40½	64	
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	78¾	17	101	76	†93½	5
Do. Pfd. B	..	..	32⅞	18	72	12¼	98	65	†87½	5
Western Maryland	*56	*40	23	9¼	18⅜	8	67⅞	13¾	53¾	
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	67½	23	51½	
Western Pacific	..	..	25½	11	40	12	47½	25⅛	†37	
Do. Pfd.	..	..	64	35	86½	51½	76⅜	55	64	
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	130	27½	†70	
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	97	47½	†78	

INDUSTRIALS

	Pre-War Period High 1909-1913	Pre-War Period Low 1909-1913	War Period High 1914-1918	War Period Low 1914-1918	Post-War Period High 1919-1926	Post-War Period Low 1919-1926	1927 High	1927 Low	Last Sale 11/22/27	Div'd $ Per Share
Adams Express	270	90	154½	42	136	22	210	124	†198¼	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	13	7½	8¼	
Allied Chem. & Dye	..	..	..	..	148⅞	34	[illegible]	131	151	6
Do. Pfd.	..	..	..	..	122¾	83	124	120	†123	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	118⅜	88	114½	6
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	15⅞	8⅛	13¾	
Do. Pfd.	105	90	103½	89⅛	103	18	51¾	20¼	49	
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	25⅝	15⅛	†17⅜	
Am. Bosch Magneto	..	..	..	..	143⅞	28	26¾	13	22⅝	
Am. Can	47⅜	6⅞	68½	19¼	*344½	*21¾	73	43⅝	72½	2
Do. Pfd.	129¼	98	114½	80	130⅛	72	136¼	126	†135	7
Am. Car & Foundry	76½	36½	98	40	*201	97½	109¼	95	104	6
Do. Pfd.	124¾	107½	119½	100	130¼	105¾	134¾	124¾	†127⅝	7
Am. Express	300	94¾	140½	77⅛	175	76½	183	127	176	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	12⅞	7⅝	12	
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	66¾	48	†58½	
Am. Ice	..	..	49	8⅞	139	37	32⅜	25¾	29⅛	2
Am. International	..	..	62¾	12	132¼	17	56¼	37	54½	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	92½	46⅜	87½	
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	116	99¼	106⅞	8
Do. Pfd.	122	75	109	93	124¼	96½	127	119½	124¼	7
Am. Metal	..	..	..	..	67⅜	38¾	46¾	36⅛	32	3
Am. Radiator	*500	*200	*445	*235	*345	64	147⅞	110½	134	5
Am. Safety Razor	..	..	..	..	76⅜	*3½	64⅞	42	62⅞	4
Am. Ship & Commerce	..	..	..	..	47½	4¾	6¾	2½	2¾	

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period High 1909-1913	Pre-War Period Low 1909-1913	War Period High 1914-1918	War Period Low 1914-1918	Post-War Period High 1919-1926	Post-War Period Low 1919-1926	1927 High	1927 Low	Last Sale 11/22/27	Div'd $ Per Share
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	152	29¼	180½	132⅝	173	8
Do. Pfd.	74½	24⅛	95	44	50	18	132⅛	119¼	†131	7
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅜	63¼	58¼	41½	54⅝	3
Do. Pfd.	..	..	..	..	115	78	115	110¼	113	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	95¾	65¼	74	5
Do. Pfd.	133½	110	128½	106	119	67½	116½	104	†108⅝	7
Am. Tel. & Tel.	153⅜	101	134½	90⅝	151	92⅛	185½	149¼	179⅛	9
Am. Tobacco	*530	*200	*256	*123	*314½	82½	189	120	177¾	8
Do. Com. B	..	..	..	..	*210	81¼	186	119¼	177¾	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	72½	46	60½	.80
Am. Woolen	40⅝	15	60⅞	12	169½	19	33⅜	16½	20⅞	
Do. Pfd.	107¾	74	102	72½	111⅞	66	86½	46⅞	51⅜	
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	53⅜	41¼	51½	3
Associated Dry Goods	..	..	28	10	*140½	46½	53⅝	39½	52½	2½
Do. 1st Pfd.	..	..	75	50½	102½	49⅞	110¼	97½	108	6
Do. 2nd Pfd.	..	..	49½	35	110	38	112	105	†110	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	42	30⅜	38½	
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	41⅜	29¾	†38	
Atlantic Refining	..	..	..	..	*1575	78½	131⅜	107	115⅝	4
Austin Nichols	..	..	..	..	40⅜	7⅛	10¼	4¼	5¾	
Do. Pfd.	..	..	..	..	95	50⅝	61	26⅛	†30	
Baldwin Locomotive	60¾	36½	154½	26⅝	167¾	62¼	265¾	143⅛	253	7
Do. Pfd.	107½	100¼	114	90	119¼	92	125¼	116	†123	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	66½	43¾	55	
Do. 7% Pfd.	80	47	186	68	108	78	117¾	104¾	117½	7
Brooklyn Edison Electric	134	123	131	87	163	82	188¾	148½	187	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	154½	89⅝	145¾	5
Burns Brothers	45	41	161½	50	147	76	125¾	85½	†101	8
Do. B	..	..	..	..	53	17	28⅛	16¼	18	
Butte & Superior	..	..	105¼	12¼	37⅞	6½	11¾	7⅜	10⅛	2
California Packing	..	..	50	30	*179½	48¼	70	60¼	69½	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	32⅞	20	23	1
Central Leather	51¾	16½	123	25⅞	116½	9⅝	24⅞	8⅜	†24	
Do. Pfd.	111	80	117½	94⅞	114	28½	90	54	†100	
Cerro de Pasco Copper	..	..	55	25	73½	23	68	58	64⅞	4
Chile Copper	..	..	39¼	11¼	38⅜	7	39¼	33⅛	37½	2½
Chrysler Corp.	..	..	..	..	*253	*108¼	62⅜	38⅛	57	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	114½	102⅜	†114	8
Coca Cola	..	..	..	..	177¾	18	129	96½	124⅝	5
Colorado Fuel & Iron	53	22½	66½	20½	56	20	96⅜	42⅝	76¼	
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	98¾	82⅞	93	5
Congoleum-Nairn	..	..	..	..	*184⅜	12½	28⅛	17¼	27	
Consolidated Cigar	..	..	..	..	87¼	11⅜	86¾	74¼	79⅜	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	121½	94	117½	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	78½	58¾	78½	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	65¼	46⅞	64½	2
Do. Pfd.	98½	61	113½	58⅛	130¼	96	137½	128	†135¾	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	96¾	76½	88¼	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	10¾	4⅞	7¼	
Do. Pfd.	..	..	100½	77¼	87	13⅛	50¾	28⅜	33	
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	28½	18⅞	22	1
Cuyamel Fruit	..	..	..	..	74½	32	55½	30	52⅛	
Davison Chemical	..	..	..	..	81¼	20⅜	40½	26¼	34½	
Dupont de Nemours	..	..	..	..	*360	105	343⅞	168	320	‡10
Eastman Kodak	*No Sales		*605	*605	*690	70	175¼	126¼	168⅜	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	79½	63¼	71½	‡5
Endicott-Johnson	..	..	..	..	150	44	80	64¾	75	5
Do. Pfd.	..	..	..	..	120	84	125	116⅜	†124	7
Fisk Rubber	..	..	..	..	55	5½	20	14¾	15¾	
Do. 1st Pfd.	..	..	..	..	116½	38⅛	100	81	†91¼	7
Fleischmann Co.	..	..	..	..	*171½	*75	69½	46⅛	69⅜	3
Foundation Co.	..	..	..	..	183¾	58½	88⅝	35	39¾	
Freeport-Texas	..	..	70½	25¾	64⅜	7½	98½	34	97	‡4
General Asphalt	42⅞	15½	39⅜	14¼	160	23	96¾	65	82¾	
General Cigar	..	..	..	..	*115¼	46	74	52	72⅝	4
General Electric	188½	129¾	187¼	118	*386½	109½	146⅝	81	129½	‡4
General Motors	*51¾	*25	*850	*74½	225¾	*8⅛	141	113¼	129¼	‡5
Do. 7% Pfd.	..	..	..	..	122¼	95⅛	125½	118½	125½	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	85⅛	42¾	78¾	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	109¾	95	107½	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	65⅜	48⅜	59⅛	
Do. Prior Pfd.	..	..	..	..	109⅞	38	97¼	92½	96¼	7
Granby Consolidated	78¼	26	120	58	80	12	45	31⅛	37⅛	
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	18	28¾	18	23¾	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	64	40	49⅛	
Houston Oil	25½	8	86	10	116½	40½	175¾	60⅛	162	
Hudson Motor Car	..	..	..	..	139½	19½	91½	48¼	71⅛	5
Hupp Motor Car	..	..	11	2⅛	31	4⅝	34⅞	16	33¼	1.40
Inland Steel	..	..	..	..	50	31⅛	55½	41	52½	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	25½	12½	20⅜	
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	101½	53⅛	100	4
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64	40⅛	51½	2
Inter. Harvester	..	..	121	104	158⅛	66¾	249	135⅜	241½	‡6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	8¾	3½	4	
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	55⅜	32½	38½	
Inter. Nickel	*227¼	*135	57½	24½	48½	24¼	75	38¼	67⅛	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	77¼	39½	77¼	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	32¼	9½	29⅝	
Do. 8% Pfd.	..	..	101	72	110	33	102	35	†93	
Kennecott Copper	..	..	64¼	25	64¼	14⅝	81⅞	60	81⅛	5
Kinney (G. R.) Co.	..	..	..	..	103	35½	45	19¾	†29⅛	
Lima Locomotive	..	..	..	..	74⅞	52	76⅜	49	55	4
Loew's Inc.	..	..	..	..	48⅜	10	63⅞	46⅞	56¼	2
Loft, Inc.	..	..	..	..	28	5½	7⅝	5	6¼	
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	27¾	45¼	23½	41⅝	
Mack Trucks	..	..	..	..	242	25½	118¾	88¼	109⅝	6
Magma Copper	..	..	..	..	46	26⅛	51⅞	29½	50½	3
Mallinson & Co.	..	..	..	..	45	8	18¾	11½	15½	

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New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period		War Period		Post-War Period		1927		Last Sale	Div'd $ Per
	High 1909-1913	Low	High 1914-1918	Low	High 1919-1926	Low	High	Low	11/22/27	Share
Maracaibo Oil Explor	..	..	..	..	37½	16	22¾	12	12¾	
Marland Oil	..	..	..	..	63⅜	12⅛	58½	31	36	
May Department Stores	*88	*65	*97½	*35	*174¾	*60	90⅜	66¾	89½	4
Mexican Seaboard Oil	..	..	..	..	34½	5¾	9¼	3	5¾	
Miami Copper	30¼	12¾	49¾	16½	32¾	8	16½	13⅛	16	1½
Montgomery Ward	..	..	..	..	82½	12	94¾	60⅜	94¼	4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	157¼	94¾	156⅜	‡6
National Dairy Prod.	..	..	..	..	81⅞	30⅛	68⅞	59¼	63¾	3
National Enam. & Stamp	36¼	9	54½	9	89½	18½	35⅜	19⅛	†25	
National Lead	91	42½	74⅝	44	181	63½	129	95	125¼	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	50	39¼	41⅝	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	64⅞	34	60	
North American	*87⅞	*60	*81	*38⅞	*119½	17½	64⅛	45⅝	61	§10
Do. Pfd.	..	..	..	..	52¼	31⅞	55	50	†53½	3
Packard Motor Car	..	..	..	..	48⅛	9⅞	54⅞	33¾	53⅝	‡3
Pan.-Am. Pet. & Trans	..	..	70¾	35	140¼	38⅛	65⅞	45⅛	49¾	4
Do. Class B.	..	..	..	..	111¾	34⅛	66⅜	45⅝	50⅞	4
Paramount-Fam. Players-Lasky	..	..	..	..	127½	40	114¾	92	108	‡8
Do. Pfd.	..	..	..	..	124½	66	124⅜	114⅞	120¾	8
Philadelphia Co.	59	37	48⅞	21½	91	26½	132½	85¼	128½	‡4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	47⅝	37⅜	44	
Phillips Petroleum	..	..	..	..	69⅝	16	60¼	36¼	42⅜	3
Pierce-Arrow	..	..	65	25	99	6⅛	23⅝	9⅛	14	
Do. Pfd.	..	..	109	88	127¼	13½	102½	37¾	53⅝	
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	29	74½	32¾	57¾	
Postum Cereal	..	..	..	..	*134	*47	126	92⅝	118	5
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	78	36½	73⅝	
Do. Pfd.	112	88½	109⅛	69	106	67	92½	76½	87	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	46¼	32	42	2
Pullman Company	200	149	177	106½	199½	87¼	82⅞	73⅜	80⅝	4
Punta Alegre Sugar	..	..	51	29	120	24¾	46⅞	27	32	
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	33½	25	25⅝	1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	90½	41⅛	90½	
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	75⅞	53	60½	4
Do. Pfd.	111¼	64½	112⅜	72	106¾	74	106	96⅝	102	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	54½	44¼	48⅛	3.13
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	72½	43½	54	4
Schulte Retail Stores	..	..	..	..	*134⅞	*88	57	47	53⅛	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	*54¼	81⅞	57	81⅞	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	47⅞	41⅜	†43½	2.41
Shell Union Oil	..	..	..	..	31	12⅛	31¾	24⅝	26⅞	1.40
Simmons Company	..	..	..	..	54⅝	22	61½	33½	55½	2
Simms Petroleum	..	..	..	..	28½	6½	22¾	14¼	19¼	
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	22⅜	15	16⅜	
Skelly Oil	..	..	..	..	37⅛	8⅝	37⅜	24⅛	27⅜	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	134¼	110¼	†115	6
Standard Oil of Calif.	..	..	..	..	*135	47½	60¾	50⅜	56	2½
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	41⅜	35⅛	40¾	‡1
Stewart-Warner Speed	..	..	*100½	*43	*181	21	75⅜	54¼	73½	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	54½	26⅛	†39½	2
Studebaker Company	49½	15¾	195	20	*151	30½	63½	49	56	5
Do. Pfd.	98⅛	64½	119½	70	125	76	124	118	†122¼	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	13⅜	8⅛	10	½
Texas Company	144	74½	243	112	58	29	58	45	58¾	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	81⅜	49	74	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	18⅞	13	13½	.60
Tide Water Oil	..	..	225	165	*195	5½	29⅛	19	21¾	.80
Timken Roller Bearing	..	..	..	..	85⅜	28½	142½	78	116¼	4
Tobacco Products	145	100	82⅜	25	116⅝	45	110⅜	92¼	106½	7
Do. Class A.	..	..	..	..	118⅜	76	118	108	116¼	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	10⅜	3¾	9⅝	
Union Oil of Calif.	..	..	..	..	58⅜	33	56½	39⅝	†44⅝	2½
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42⅛	38⅛	32⅝	35	‡.80
United Drug	..	..	90⅞	64	175⅛	46¼	200½	159	193	9
Do. 1st Pfd.	..	..	54	46	59	36⅝	60¾	58½	59¾	3½
United Fruit	208½	126½	175	105	*294	95¾	150	113½	143	‡4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10⅛	246	190½	220¼	10
Do. Pfd.	84	40	67½	30	118	38	124	112	124	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35⅛	89	69	84⅛	5
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17	67½	54	61½	4
U. S. Rubber	59½	27	80½	44	143¾	22½	67⅛	37¼	53⅝	
Do. 1st Pfd.	123½	98	115½	91	119½	66½	111⅜	85¾	96¾	8
U. S. Smelt., Ref. & M'n	59	30⅜	81½	20	78¼	18⅜	44	33⅜	40	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	160½	111⅜	142⅜	7
Do. Pfd.	131	102½	123	102	130¾	104	138½	129	137	7
Utah Copper	67½	38	130	48½	116	41⅛	140¼	111	†135	6
Vanadium Corp.	..	..	..	..	97	19⅛	56¾	37	54⅜	3
Western Union	86¼	56	105½	53⅜	157⅞	76	172	144½	169	8
Westinghouse Air Brake	141	132½	143	95	146	76	50⅛	40	44½	2
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	89¾	67⅝	85½	4
White Eagle Oil	..	..	..	..	34	20	27½	21	23	2
White Motors	..	..	60	30	104½	29¼	58⅜	30¼	35¾	2
Willys-Overland	*75	*50	*325	15	40¼	4⅓	24¾	13½	17⅞	
Do. Pfd.	..	..	100	69	123⅞	23	96	87	92⅛	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	17⅝	10	12	
Woolworth (F. W.) Co.	*177⅞	*76⅛	*151	*81½	*345	72⅛	197¾	117¾	196¼	5
Worthington Pump	..	..	69	23½	117	19	46	20½	32½	
Do. Pfd. A.	..	..	100	85⅞	98½	44	61½	46	50½	
Do. Pfd. B.	..	..	78⅜	50	81	37¼	54½	37	42	
Youngstown Sh. & Tube	..	..	..	..	95¼	59¾	97¼	80⅛	87⅞	5

† Bid price. ‡ Not including extras. § In stock. * Old stock.

Securities and Commodities, Analyzed, Rated and Mentioned in this Issue.

COMMODITIES

INDUSTRIALS

BONDS

MINING

PETROLEUM

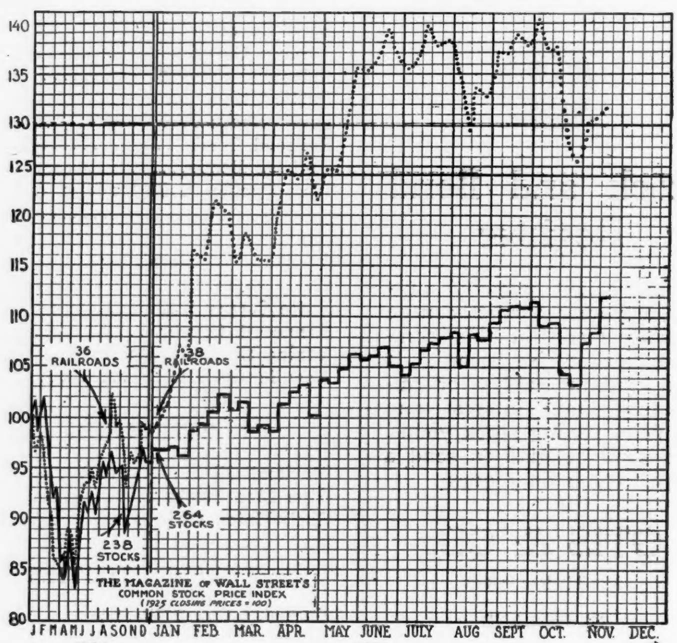
PUBLIC UTILITIES

RAILROADS

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low	Recent Indexes Nov. 19	Recent Indexes Nov. 26	1926 Indexes (238 Issues) Close	1926 Indexes (238 Issues) High	1926 Indexes (238 Issues) Low
264	COMBINED AVERAGE	112.0	95.7	108.5	112.0H	95.7	102.0	83.1
38	Railroads	140.2	98.5	130.6	131.7	98.5	102.2	84.3
4	Agrictultural Equipment	94.8	63.4	88.8	91.4	69.8	111.9	61.8
2	Alcohol	154.1	182.1	142.0	154.1H	83.6	103.2	56.6
12	Automobile Accessories	93.6	79.3	83.7	88.8	81.0	104.4	78.0
16	Automobiles	80.2	70.1	74.6	88.2h	76.4	104.0	66.7
3	Baking	88.7	63.0	85.9	88.7h	82.0	108.6	69.2
3	Business Equipment	160.2	108.5	138.0	141.3	108.5	109.3	82.2
5	Chemicals & Dyes	138.2	107.3	130.0	133.8	107.3	115.5	92.0
9	Construction & Bldg. Material	94.8	77.9	88.8	94.8h	84.4	101.4	71.0
3	Containers	118.2	93.5	116.5	118.2H	100.1	110.8	85.7
10	Copper	139.8	105.9	134.1	139.8H	118.7	122.8	91.6
2	Dairy Products	80.0	59.8	65.3	65.0	80.0	(Begun 1927)	
4	Department Stores	100.1	70.4	93.6	93.8	73.7	101.0	67.6
4	Drugs & Toilet Articles	171.0	147.3	165.2	171.0H	152.5	159.1	100.0
7	Electric Apparatus	112.2	87.4	90.4	96.3	96.1	105.2	86.8
8	Foods & Beverages	84.4	72.0	82.4	83.4	76.9	101.2	72.3
3	Furniture	119.3	89.1	112.3	118.7	91.6	121.0	80.7
2	Leather	152.3	69.8	152.3H	150.6	69.8	102.4	68.0
2	Mail Order	123.5	82.8	122.1	123.5H	88.0	101.6	75.0
5	Marine	113.4	69.5	73.1	75.4	79.6	110.8	73.0
2	Meat Packing	74.8	55.1	66.4	71.5	74.4	102.6	69.6
5	Metals	98.7	81.9	90.1	94.8	81.9	105.7	78.1
7	Miscellaneous	128.9	96.7	122.0	128.9h	100.0	(No record)	
3	Paper & Publishing	202.1	150.4	190.8	202.1H	150.4	187.8	75.5
35	Petroleum	103.5	86.9	94.9	97.9	95.3	102.3	85.2
11	Public Utilities	132.5	93.1	124.7	124.7	96.3	102.0	82.4
1	Radio	194.2	97.2	181.7	194.2H	123.6	139.5	78.8
8	Railroad Equipment	128.4	100.3	116.9	121.0	101.4	103.3	84.2
1	Real Estate	107.4	88.5	99.6	101.4	94.4	102.8	74.3
5	Recreation	120.3	96.3	100.3	101.3	115.2	118.2	98.6
6	Rubber	93.5	64.4	90.7	92.9	64.4	114.3	59.8
13	Steel	97.3	81.1	86.7	89.9	83.9	100.6	78.8
4	Sugar	112.7	76.9	77.3	89.4	112.0	116.1	92.5
2	Sulphur	362.0	166.1	349.2	362.0H	166.1	170.0	100.0
2	Telephone	127.1	104.6	124.5	125.9	104.6	105.6	97.3
3	Textiles	107.5	71.9	83.6	82.4	92.5	104.6	57.7
9	Tobacco	168.8	144.8	168.0	168.8H	147.8	148.3	94.5
5	Traction	142.4	119.5	121.3	124.0	127.5	136.9	94.0

H—New HIGH record since 1925. h—New HIGH record this year.



(An unweighted Index of weekly closing prices, specially designed for investors. The 1927 Index includes 264 issues, distributed among 36 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

ANSWERS TO INQUIRIES

(*Continued from page 260*)

strong bid for regaining its prestige enjoyed in former years, but tangible results are not likely to find reflection in income account for some time to come. Conceding the ultimate success of present efforts, present market prices of the common seem to discount favorable progress quite some distance ahead, and we would favor realizing profits for the present.

SHELL UNION OIL

Since 1924 I have been the owner of 50 shares of Shell Union Oil Corporation stock and do not remember exactly what I paid for it but it was somewhere around $20. How is it that this company's stock has not been particularly effected by the slump in the oil industry. Does it indicate that it is likely to have a very good advance when the oil industry turns upward? If so, I would increase my holdings.—A. I. C., Boston, Mass.

Shell Union Oil, the third largest producer of crude oil in the United States, is the largest and most profitable of the Royal Dutch Shell properties, and has an important advantage over many competitors through the highly efficient marketing organization of the parent companies. Despite liberal charges to depreciation, depletion, etc. (averaging 20% of gross in the four years 1922 to 1926), net has shown consistent yearly increase from a balance of $1.11 a share in 1922 to $3.05 in 1926. Reflecting over-production and unfavorable price levels of crude oil and its products, with the consequent lack of incentive to maintain operations at a high level, net earnings in the first nine months this year amounted to about 11.4 millions, after depreciation, depletion, etc., of 24.5 millions, equal to around $1.14 a share on the 10 million shares of capital stock outstanding. However, the company has not been idle in further strengthening its position, tradewise, and present financial condition is impregnable. The shares may be expected to quickly reflect developments in the industry in any degree favorable, and we believe rentention justified. Further, if such a course would not have the effect of increasing your holdings out of proportion to your ownership of other securities, in which event the question of diversification should be considered, we believe additional commitments warranted.

MARLAND OIL

I purchased 25 shares of Marland Oil several years ago at $36 a share and was so impressed with the company's subsequent improvement that last year I bought 50 additional shares at $59 a share. The stock is now back where I bought the first lot and I am asking you for some advice as to what to do and also what you think the company's prospects are?—H. N. B., Lincoln, Nebraska.

Marland Oil Co., with a reported average daily production of 45,000 barrels of crude oil, and engaged in

practically every phase of the petroleum industry, is entitled to rank among the more important of the independent companies. Under the guidance of a thoroughly capable management the progress of the company during the period embracing 1924 to 1926 has been very impressive and net revenues showed an increase of over 300%. Handicapped, however, by the lack of cheap flush production, the company has been adversely affected by the sharp decline in crude oil, resulting from over-production in the prolific Seminole fields. For the nine months to September 30th, an operating deficit of nearly three millions was shown as contrasted with net income equal to $7.12 per share in the first three quarters of 1926. The loss this year, however, takes into consideration a total charge-off of $7,593,000 for intangible drilling costs. Dividends, as you know, have been passed but financing earlier this year through the sale of $30 millions notes placed the company in a sound current position. However, the absence or indication of any material improvement in the oil situation, as a whole, retards the shares marketwise, but, at present levels, the shares appear to discount all the unfavorable factors of the situation, and retention, pending a turn for the better, would seem more justifiable than a sacrifice sale.

SPLITDORF-BETHLEHEM ELECTRICAL

I am the holder of Splitdorf Bethlehem Electrical stock. At present prices I can get out about even but was wondering if I should avail myself of that opportunity. Is there any corporate connection between this company and Bethlehem Steel? Please advise me.—D. E. T., Ithaca, New York.

Our analysis of the Splitdorf-Bethlehem Electrical Company at this time is somewhat handicapped by the absence of reports covering operations in the current year to date. For the full 1926 year the equivalent of $4.93 per share was earned on the capital stock, but in view of sluggish demand for radio receiving sets, which is one of the company's principal sources of revenue, we doubt very much if results this year will compare favorably with those reported in 1926. It was recently announced that control of the American Electric Motors Co. and Perfection Appliance Co. had been acquired and in connection therewith $1,250,000 in 7% Debentures were sold for the purpose of financing this purchase. The shares, based on evidence at hand, do not appear undervalued nor do we disclose anything in the situation likely to result in enhancement in the market price of the shares in the near future. In other words, such merit as it is possible to concede them is strictly of a long range calibre and we would be inclined to advise disposal of present commitments. We might add that no corporate connection, so far as we know, exists between the company in question and the Bethlehem Steel Corporation.

PIERCE-ARROW MOTOR CAR

What is the matter with Pierce-Arrow? I notice that it is losing money this year while last year it did very well.. I bought my stock originally at $17 a share and early this year when I wrote to you, you advised me to sell out. It was then around 20 but I did not do so. Do you think that I should now take my loss or hold on to the stock in expectation of it coming back?—M. B. V., Pottsville, Pa.

Earnings of the Pierce-Arrow Motor Car Co. during the past seven years have been marked only by infrequent upturns and the general showing of the company has been unsatisfactory. The improvement shown in 1925 was not maintained last year and a decided reversal in the first half of the current year resulted in net earnings equal to only $1.15 per share for the preferred stock. Thus, with dividends unearned and the outlook decidedly uncertain, it is not surprising that disbursements on the senior issue were suspended. For the nine months to September 30th, a deficit of $258,616 was shown comparing with a profit of $980,000 in the same period of 1926. The company is apparently meeting with exceedingly keen competition both in the sale of passenger cars and trucks. The management has expressed itself optimistically, following the introduction of new models but unless the company is successful in bucking the tide of competition, and a sluggish consumer demand, the common with little or no equity value, seems unattractive at this time.

AUSTIN NICHOLS

As a stockholder of Austin Nichols & Company, I am writing to you for your opinion regarding this company. I have about decided to sell my stock and write it off as a loss. I bought 100 shares at 26 in 1925 and I watched it drift down without any real explanation from anybody as to what is wrong with the company.—E. P. E., St. Louis, Mo.

The substantial growth of chain grocery stores in recent years has created a detrimental influence, which wholesale grocery organizations, of the calibre of Austin Nichols & Co. have experienced considerable difficulty in combatting. This factor, together with a very poor canning season in 1926, resulted in a report covering the operations of the company in question for the 15 months ended April 30, 1927, which was the worst in the company's history. A deficit of $1,853,000 was shown, after depreciation, inventory losses and a contingency reserve of $200,000. Working capital of $2,033,000 was the least ever reported by the company. Dividends have been passed on the preferred shares, and the common, which has never rewarded its holders, appears to have been relegated to a remote position. It is our understanding that the management is making strenuous efforts to reduce operating expenses, and it is possible that the worst aspects of the situation are now past history. However, the continued growth of chain store merchandising, and the absence of definite indications upon which to base any hope for material improvement would seem to justify the liquidation of present commitments, for

the purpose of employing funds to better advantage elsewhere.

KENNECOTT COPPER

I have accumulated 80 shares of Kennecott in the past ten years, my holdings averaging me about $55 a share. How much higher do you think the stock will go? Would you advise me to sell 30 shares and reduce the average of my remaining 50 shares to about $40 and hold the 50 indefinitely as an investment?—M. J. P., Oxford, Illinois.

Kennecott Copper Corp., with subsidiaries, is the largest producer of copper in the world, and with production cost of 8 cents a pound, for which it received on sales an average of 14.14 cents a pound, earnings in 1926 were equal to $5.80 a share on 4,498,418 no par shares outstanding. Hand-to-mouth consumer buying and continued heavy production during most of the present year is likely to result in a slight falling off in profits in the full 1927 year. However, the copper industry, as a whole, has made very encouraging progress toward adjusting current production to consumption, so that surplus stocks of refined copper are at present the lowest this year. As a matter of fact Kennecott is now understood to have no unsold copper on hand. Consideration of the foregoing, together with indications of expanding domestic demand and increased exports, resulting in some further hardening in prices of the metal in ensuing months, would seem to justify an optimistic attitude regarding the immediate future of Kennecott. In the meantime, financial condition is strong, and ore reserves are sufficient to assure a long term of life for the properties. We see no reason for advising disposal at this time.

NEW JERSEY ZINC

I have been holding 25 shares of stock in the New Jersey Zinc Company for a number of years. I bought it as an investment and not as a speculation. It has sold at over $200 a share since I bought it but is now around the level of my original purchase, although recently I had a paper loss of 10 points. What has caused the decline and recovery? Is the compayn's business any weaker than it was?—W. T. J., Paterson N. J.

Considering that the current year has been one of the most unfavorable for the lead and zinc industry since 1920-21, the showing made by the New Jersey Zinc Company in the first nine months should prove quite encouraging to shareholders. Net income for that period was equal to $10.91 per share as compared with $10.11 in the nine months' period ended September 30, 1926. Thus it is evident that the current annual dividend of $8 per share is well provided for and with even a moderate improvement in metal prices the company would be in a position to declare further extras, as was the case last July, when an extra $2 was paid. Excessive production is accountable for the prevailing low zinc prices but the New Jersey Zinc Company is more fortunate than the majority of its brethren, in having more widely diversified production activities. Now rated an important factor in the manufacture of

sulphuric acid, zinc chloride, and zinc plates and sheets, the company appears well situated to withstand existing conditions. Recovery in the market value of the shares will await more favorable conditions, but the company's showing to date would seem to preclude the necessity of any apprehension on the part of present shareholders.

AMERICA'S LONG PURSE IN 1928

(Continued from page 227)

that business is rapidly reaching the limits of its ability to reduce costs in the face of lowered prices. The *Dun* index for the first seven months of this year records an increase in insolvencies of 7.4%, and in liabilities of 35.5%, as compared with the corresponding period of 1926; while the average of failures for the subsequent period to November still holds above last year. At times during these three quarters of 1927, business failures have risen above like periods of any previous year except 1922 and 1915, both of which were marked by serious depressions.

Yet, prosperity remains with the American people in larger measure, than with any other nation. The chief industrial countries have been sending boards of inquiry to these shores to learn its causes, and they still come. But none of the visiting delegations seems to look deeply into the financial springs of our enhanced skills and increases in output.

The fresh streams of purchasing power with which American business has been blessed since the depression of 1920-21, do not well out of the air. They must flow from an expansion of capital, which has been applied as never before to new industrial developments. Nevertheless, from their statements administration figures wholly omit this cause in their accounting of the nation's prosperity. They speak only of the elimination of industrial waste, the increase in standards of efficiency and governmental economy. In the latter respect they note proudly the reduction by eight billions in the national debt since 1919.

Few have seen, apparently, that this debt reduction amounts to a large contraction of money in circulation. Our administrative heads fail to perceive that while it is an excellent thing to pay the public debt when the price level is rising, in order to check a furthur increase in prices, it is not a good thing for business to pay the national debt when the price level is declining.

For the paying of public debts only helps prices to fall the faster. The policy, therefore, of applying the annual tax surplus to reductions of the debt makes for deflation. A correct policy during a long-continued decline in the price level, such as the country has experienced, would be to return all

(Please turn to page 282)

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(*Continued from page* 280)

surpluses to the taxpayers and to reduce the taxes. Such tax refunds would mean that our industries, still "overbuilt" and running far below their capacity to produce, would get out of these surplus billions needed increases in order to buoy up prices to a stable level and to swell the volume of trade.

Moreover, it is not true, the underconsumptionists hold that the increase in productivity of workers is the prime cause of the increase in their wages rather, it is the circulation of added money for wages in new productive works that has helped productivity.

The upholders of this doctrine flout the old time teaching that since labor produces more, employers offer labor more in terms of real wages. It is the other way about. The increased wages come from credit issues on account of future production, which, in the automobile, building and new electrical industries have been poured forth at just the right rate to prevent such a sagging of the price level as would otherwise bring on the woes of depression. The sag that has taken place, notwithstanding these outpourings of credit for expanded enterprise, has been partly compensated, for the time, by the economies in methods of which administration leaders speak. But this compensation cannot continue along with persistent contractions of the currency.

For it seems manifest that the right flow of additions to the money supply would provide ample purchasing power for the country's production. The farmers, confronted with recurrent "surpluses," ask why, with their increased crops, they should be getting poorer instead of richer. The makers of staple and special goods, likewise faced with a "surplus" either of goods or of idle equipment, as well as the growing army of the unemployed, may well ask why their standard of living has not been raised.

To such murmurings the politicians and their economic advisers produce no answer, or none that satisfies. They respond, if at all, with the hopeless doctrine that there must be changes in the relative purchasing power of different social classes. If workers can purchase more, capital and the farmers can purchase less. There can be only transfers of purchasing power from one set of people to another.

In this doctrine some economists still go back to J. B. Say, who at the time of the Napoleonic wars proclaimed the theory that there could be no such thing as overproduction because, as he said, the production of goods constituted the demand for goods. The more goods a person brought to market, the more demand he had for other things. This came about because exchange fundamentally was barter; money was not important, and, if people brought more goods to barter, that meant they had an increased demand for other products. So there could be no such thing as overproduction.

Of course, people here and there saw that there could be a change in the value relation of commodities, due not only to differences in the rate of increase of production but also to differences in elasticity of demand; but as a general thing people said, "You cannot have such a thing as overproduction." The orthodox economists, McCulloch, James Mill, and following him John Stuart Mill and others, missed the fact that we exchange, not under barter, but in a money economy with money prices intervening.

A Prize for an Adverse Criticism

Two men in the United States have recently pointed out the flaw in this reasoning of Say and his followers. William Trufant Foster and Waddill Catchings have performed this service in their economic study entitled "Profits," and they offered and have awarded a prize of five thousand dollars for the best refutation.

The exposition of the theory of Foster and Catchings, reinforced by their popular expositions of the subject, attracted such attention that Owen D. Young, together with Wesley C. Mitchell and Allyn A. Young, ex-presidents of the American Economic Association, consented to act as judges for the award. The contest commanded interest not only on account of the standing of the judges, but because many who contested for the prize were economists of world-wide distinction and took opposite positions about the book.

The contest barred all favoring criticisms, and the award went to R. W. Souter, a teacher of Otago University, New Zealand. Mr. Souter contended that the "real problem is how to make the output of goods conform to the prospective flow of money," no matter how the money flow might shrink. With this position Foster and Catchings take direct issue. "We contend, on the contrary," they say, "that the real problem of society is how to make the flow of money to consumers conform with the increased output of goods." They add:

"Society can make little progress so long as it continues to try to keep down the volume of production to prospective demand. The way of progress is precisely the opposite. The aim should be to keep demand up to output, no matter how rapidly industry succeeds in making actual output approach potential output. Consequently, as we say in 'Profits,' the Government should direct its fiscal policies, including currency measures, the central banking system, taxation and disbursements, not toward limiting production to available consumers' money demand (as Mr. Souter and orthodox economists in general advocate), but rather toward sustaining consumers' demand on a level with available production."

Except for this difference in policy, Foster and Catchings assert that they find nothing in Mr. Souter's criticism which need prevent him from "accepting our analysis of the problem, in all

its essentials, and our proposed solution."

Developing their theory, Foster and Catchings lay down a principle which the Administration at Washington has ignored in shaping its policy of debt payments out of tax surplusage. That is that prices must fall if production is increasing at a faster rate than the supply of money and bank credit.

This, of course, is a matter of first importance to business because present prices may embody, as they now do, past and higher prices.

Why the Price Level Falls

Mr. Catchings happens to be banker-director of some eighteen manufacturing companies of national proportions. A fall in the price level meant something to him because, like other manufacturers, Mr. Catchings saw that goods are produced under past prices. Raw materials are purchased at one price level, labor is purchased at one price level, and these are embodied in commodities which under present conditions are later being sold at a lower price level. If this level shrinks even as much as 5%, the change may extinguish all the profits, since profits are the difference between money cost and money price.

Sometimes, to be sure, the price level may shrink and profits may yet be made through reduction in costs. But this process has its limits.

When, as is usual, profits are removed by a decline in the price level, it means that business conducted for profit has to curtail production. But curtailing production lays off men. Being laid off, the men and their families cannot purchase the output of industry. Therefore business cannot sell. Hence when men are laid off all the phenomena of overproduction appear with accelerating speed.

It is overproduction of goods with respect to money in the form of consumers' purchasing power for those goods, that plays the mischief with the price level. It results in underconsumption by the people, who have to do without the goods that, as producers, they can readily make.

Mr. Catchings began to sense this money difficulty of business operating on two price levels during 1920, when inflation changed into deflationary "hard times." He summoned to his aid Dr. Foster, then president of Reed College. He endowed the Pollak Foundation for Economic Research, with Dr. Foster as its director, for the purpose of inquiring into the fluctuations of money and trade.

Lacking the proper tools for this research, Messrs. Foster and Catchings invoked the aid of Professor Irving Fisher of Yale. As a consequence the Pollak book on "The Making of Index Numbers" by Professor Fisher, provides today the most accurate methods of ascertaining financial and trade changes yet devised. The Fisher study has become standard with the Federal Reserve Board, the Federal Bureau of

Labor Statistics, and other governmental and statistical organizations throughout the world.

Underconsumptionists Abroad

Now there are underconsumptionists abroad as well as in the United States. With the rapid development of banking methods and with the emergencies of the war which profoundly changed their application, many students in many countries have noted during this period that changes in the flow of money produce violent fluctuations in business and in welfare.

Among these, Lord Milner and Reginald McKenna of the Midland Bank of London, the latter serving during the war as Chancellor of the British Exchequer, opposed, in 1920, the deflation of British business which restricted production to the narrow limits of then existing purchasing power. They maintained that, by proper financial measures, consumer purchasing power might at any time be increased in proportion to increased production, the only limit being the ultimate capacity of the plant of civilization to make goods for consumption.

Lord Milner and Mr. McKenna failed, however, as did Professor J. A. Hobson, Major C. H. Douglas and his numerous disciples, and the Continental underconsumptionists, to make plain one important thing: they did not show exactly and in detail how it happens that, at times, solid gains in consumers' purchasing power have been attained. They overlooked a significant part of financial history. For there have been periods in which money has been made to flow to consumers in fair conformity with an increased output of goods.

None of these observers has shown how, with the currency and banking systems unchanged, such gains in real income might be deliberately planned and executed, for *permanent* increases in production and consumption.

The distinction of pointing out precisely how such gains have been brought about, and how they may be brought about by planning for the future, without any basic changes in the banking system, belongs to the Americans, Foster and Catchings.

Their forthcoming analysis shows, in brief, that whenever there have been permanent expansions of bank credit to balance the savings by business and by individuals, and at the same time to keep pace with business expansion, "good times" have been maintained—until something occurred to upset the balance. Thus Professor Paul H. Douglas reckons, by a tentative index, that the amount of fixed capital in the United States has expanded six and one-half times in the period from 1880 to 1922. That is an increase of 5% compounded, as compared with the growth in population of only 2% a year. During these forty-two years the amount of capital per worker more than trebled.

At times, as in 1919, and in immediately preceding years, these advances

of credits have been ill-timed, and produced the inflation of "flush times." At times, as in 1920 and 1921, they have been denied when needed, resulting in deflation and "hard times."

But during the past six years, while the automobile and building industries have attained their greatest growth, the expansion of bank credits has contributed to hold the price level fairly steady while business as a whole has expanded, profits have increased, and wages and salaries have grown in their power to purchase goods.

Can Good Times Last?

Has this period now reached its climax? Or can it be prolonged?

Everywhere in the United States production is today more or less restricted. With exceptional cases, prices of goods sold on a declining level will not pay for past costs already sustained on a higher level, and yield a profit. In the ordinary course overproduction of goods must follow, in relation to the reduced sums which consumers can exchange for the goods. Meanwhile the margin of underconsumption is widening as industry overproduces with reference to demand.

What, then, has occurred to slow up business and to check its growth, as compared with 1926?

All the technical causes advanced by President Coolidge in his annual message as accounting for the amazing prosperity of 1926 are still with us. We have still economy in the Federal Government and heightened efficiency in industry. But the evidence that business is slackening is seen in the reduced schedules of the big and little industries of the country, as compared with last year. It is because of the check placed on further business expansion that Mr. Young speaks of the blot of unemployment and the failure, especially in the case of the farmer, to fit production to consumptive needs. With new times come new economic methods, eschewing politics and relying on business principles. Not inconceivably, a non-partisan platform of Government business might be built on the principle formulated by Foster and Catchings, according to the newly-evolved doctrine of sustained prosperity: "The government should direct its fiscal policies, including currency measures, the central banking system, taxation, and disbursements, not toward limiting production to available consumers' money demand, but rather toward sustaining consumers' demand on a level with available production."

For Feature Articles to appear in the next issue see Page 213.

EQUITY IN CASH ASSETS OF PIPE LINE COMPANIES OVERLOOKED BY INVESTORS

(*Continued from page* 242)

gree of tolerance than has been the custom in recent years, for the prospect of adequate rather than spectacular earning power from regular operations is all that is required to lend the proper background to the favorable factors of large quick assets and simplicity of capitalization, the existence of which constitutes definitely known quantities.

Moreover, it is not beyond the realms of possibility that earnings in future years will be supplemented from an entirely new source. The properties having been largely confined hitherto in transporting crude oil from West to East, plans are now under way through which it may become feasible to utilize the lines in the reverse direction as well for distribution of refined products to interior points. Until actually demonstrated on a sufficient scale, however, it is better to regard this phase of the business as an added stabilizer rather than as a direct incentive to purchase of the stocks, for purchases under present conditions should be predicated on factors other than earnings, the essential requirement in regard to the latter being that they will be sufficiently sustained to permit normal distributions of dividends on the basis of recent standards.

Distributions from Surpluses

The major possibilities are to be found in the prospect for special distributions from surplus accumulated during the former days of great prosperity. These eleven companies have on the average a very high percentage of cash assets per share to market price. The cash assets are for the most part in the form of high grade securities with a value per share of stock in some cases actually greater than the market value of the stock itself. It might be supposed that this situation would be of particular value only in the event of liquidation. It is true that these companies have a high liquidating value, but it is also true that cash assets may be employed at any time for the purpose of making special distributions to stockholders, as such assets are in most cases well in excess of the requirements of the business. The Indiana Pipe Line Company, for instance, has just declared a special dividend of $15 per share, supplementary to its regular rate of $4 annually. Earlier in the year, payments of $33 and $10 per share were made by Cumberland Pipe Line and Southern Pipe Line, and extra disbursements on a smaller scale were voted by several others in the group. Such action is sometimes taken in connection with a

reduction in par value. The $10 distribution by Southern Pipe Line, for example, was the final step in a change in par value from $100 to $50, the other $40 having been paid out to stockholders during the previous year. Although in the nature of a liquidating movement, it does not, contrary to the opinion held in some quarters, signify that operations are to be correspondingly curtailed, or that final liquidation is a definite prospect. It is simply another means of distributing to stockholders assets accumulated from past profits, and which are no longer required for corporate purposes.

By reason of the large cash assets, the pipe line companies are in the nature of partial investment trusts composed of high grade securities yielding a low return. Substantial distributions of the type already described were much more common in former days, the declining business being accompanied by increasing conservatism in this respect. It is obviously to the interests of stockholders that the old policy be maintained with respect to funds not needed in the business, even more so than in the era of greater prosperity.

If substantial profits are virtually assured, as was the case formerly, surplus funds are quite safe and it makes no great difference at what time they are distributed, but the greater the uncertainty in the oil transportation business, the greater the potential disadvantage in tying up these investment trusts with oil operations, and the more reason for turning them over at least in part to stockholders, who will then be able to reinvest them in a manner to yield a higher return with perhaps less risk, the potential risk arising not from the quality of securities employed for investment by the pipe line companies, which is of the best, but from the possibility that it might at some time become necessary to draw upon surplus funds in the event of an operating deficit. This should not be construed as implying pessimism on the general outlook for the pipe lines from an operating standpoint, but until such time as there is definite assurance of operating stability, unused liquid assets might better be in individual hands than to remain in the treasuries. Special distributions on a larger scale than of late, in accordance with this policy, is the prospect wherein lies the principal element of attraction in the stocks.

Looking at the situation from an operating point of view, it will be found that, after deduction of the share value of the cash assets from the market price of the stock, the balance, representing the cost of a unit equity in operating earnings, is brought down to a relatively low figure where the benefits possible of realization appear to offset whatever risk is involved with a fair margin to spare.

South West Pennsylvania Pipe Lines, for example, selling currently around 75 on the New York Curb market, has cash and investment securities amount-

ing to approximately $54 per share, leaving about $21 as the cost of an interest in the company as an operating concern. In 1926 this company on operations alone earned $5 per share after all charges including depreciation and taxes, a figure which will probably be exceeded this year. Ability to purchase an earning power of $5 per share at a theoretical cost of $21 has all the appearances of an unusual bargain if there is any sort of an even chance that operations can be maintained on as favorable a basis.

This illustrates the extent to which the equity in cash assets is overlooked, which is not unnatural, as it is little more than nominal until it assumes tangible form through the medium of a special distribution. If events should shape themselves whereby such a distribution appeared imminent, the situation would undoubtedly correct itself through a higher market appraisal of the worth of the stock, although theoretically its value would remain unchanged, assuming no important change in earnings status. In other words, recognition of the value of undistributed cash assets to a considerable degree lies dormant until stirred up by the prospect of a definite segregation of a portion thereof.

The loss of through business has affected different companies differently. Southern Pipe Line and New York Transit are largely dependent upon that type of shipments, and earnings have suffered accordingly. It so happens, however, that they are among the most favored in respect to the percentage of cash assets to market valuation. These are probably the only two companies in the group where the question of liquidation might arise, and because of their ample cash assets, both would be well situated in the event of liquidation. So far during the present year Southern Pipe Line has carried nearly twice as much oil as in the corresponding period of 1926, which has enabled a resumption of dividend payments for the time being. New York Transit has not fared so well and stands out as the only non-dividend payer. Conditions responsible for the stimulus to Southern Pipe Line's business, that is, the abnormal movement of oil from the mid-continent fields and the increase in tanker rates, have now virtually subsided, and the dividend outlook as far as that company is concerned is problematical.

There is one factor, however, that might well prevent the liquidation of the businesses of these two companies even if the outlook for earnings should render it advisable otherwise. Southern Pipe and New York Transit own lines which connect with and act as feeders to seaboard refineries of Standard Oil of New Jersey and Standard Oil of New York, respectively, and although far less important in this respect than formerly, they nevertheless have a very tangible value to those large refineries if only as an emergency means of obtaining their crude oil requirements. Considering that the stock market is according little or no value to these pipe line companies over and above the value of their cash assets, the chances are that the physical properties could be purchased at a reasonable figure, and it would appear, therefore, that such a course would be followed as an alternative to allowing the lines to be dismantled entirely.

Prairie Pipe Line and Illinois Pipe Line cover the widest range of territory and are probably in the most strategical position from an operating point of view. Prairie Pipe in particular is the one company in the field that has actually benefited from the diversion of traffic to oil tankers, as one branch of its system connects the mid-continent fields to the Gulf Coast. It is thus able to act as an intermediary transporting agency for oil carried to the Atlantic seaboard over the water route. From the standpoint of yield on the investment, Northern Pipe Line presents the most attractive aspect. It possesses by far the largest cash assets per share of the entire group, a figure closely approximating current market levels for the stock in excess of 90. Although much business has been lost in recent years, it is still able to show a good operating profit, and, with its income from investments, pay dividends at the rate of $8 annually. Among the lower priced stocks, National Transit, selling around 20, is in a highly interesting situation despite the inadequate income from pipe line operations, due to the unrevealed earning power of its pump and machine manufacturing subsidiary which furnishes the greater part of the profits, and the lack of recognition accorded this factor in the market.

To the discerning investor then there are still opportunities to be found in the pipe line field. Although a return to its former high estate is hardly possible, the industry has gone a long way in adjusting itself to changed conditions, and the public pessimism engendered in the process has tended to obscure the large equities in cash assets which sooner or later should assume tangible form through periodic distributions to shareholders. Pipe line stocks, however, should be regarded from the long range standpoint, especially at current prices which have been somewhat stimulated by stronger operating earnings than usual through conditions unlikely to be repeated for some time to come.

For Feature

Articles

to Appear

In the Next Issue

See Page 213

AN AUTHENTIC PICTURE OF STEEL CONDITIONS TODAY

(Continued from page 247)

ture, 4; food containers, 5; machinery, 3; miscellaneous, 20. Production of automobiles and trucks has thus far been about 17% less than last year, so that at least 2% of the total steel production this year is involved. As a matter of fact the real drop took place in the second and third quarters, and possibly accounted for a general drop in rate of operations of at least 5%. Railroad car orders for the first nine months were 75,538 compared with 102,129 last year, while locomotive orders showed a similar trend with 1,610 in 1927 against 2,107 in the first nine months of 1926. The over-production of oil fields was marked by a sharp decline in oil country steel. Exports, with scrap excluded, were 165,500 tons per month thus far this year compared to 171,900 last year. To counteract some of this sharp decline, steel for building construction was distinctly strong as was the demand from farm implement makers. Structural awards were about 1.6 million tons to November 1st compared with 1.2 millions last year or an increase of approximately 33%. This was somewhat offset by a decrease in concrete bar demand.

The present situation shows some improvement in demand, much of the new contracts calling for first quarter delivery, but some part is available for immediate rolling. Structural awards in the last week of October totalled 33,000 tons, a sharp increase from previous weeks, and closely approximating the high weekly average of this year. Agricultural machinery, running about 35% ahead of last year remains a strong feature. While the tinplate industry is averaging only about 70%, it is expected that better operations will take place as soon as new price schedules for 1928 are out of the way.

Pipe orders of recent date amounted to some 200,000 tons. Half of this was for a gas line from Amarillo to Denver, with about 50,000 tons involved in an inquiry by the Roxana Petroleum Company. Other sizeable amounts come from various Texas and New Jersey undertakings. A recent order for approximately 175,000 tons of rails was placed, closely following some other fair sized rail contracts, amounting to 50,000 tons. In addition a 20,000 ton order, involved in 1,350 cars and other rolling stock, was placed by the C. & N. W. Some 4.5 million tie plate inquiries have also helped to lend confidence to the hope for higher operations. While railroads generally are still slow in releasing some of their important needs, there are definite indications of further revival in steel demand from this quarter.

In the automotive field, steel requirements are still small, but the steel in-

dustry should quicken activity as soon as expected inquiries for 100,000 Ford units develop. It is generally accepted that the Ford situation has dammed up normal steel requirements for automobiles, and that as soon as the new cars are released other manufacturers will be in a better position to make known their requirements. There is no doubt concerning this latent buying power due to accumulated hesitant purchasing. The full extent of this development will hardly be felt before early next year. Another bright feature has been the unexpected sharp increase in forward bookings by the corporation, amounting to 200,000 tons on unfilled orders. It represents the first month this year in which a pronounced change for the better occurred.

It appears evident that the 1.8% increase of October ingot production over September while slight, marks the turn in the steel industry. Production should work to higher than the present 70% level before the end of November, with December showing increasing operations. The production for the fourth quarter will probably average close to 75%, which would mean approximately 5% better than the previous quarter. The influence of hand-to-mouth buying is generally accepted as a stabilizing factor in steel production, cushioning the industry against the excessive declines of earlier years. However, it is possible that this manner of purchasing is being somewhat overdone as was the old order of forward buying. If buyers are permitting stocks to run too low, any factor causing a sudden demand for steel from the general trade may find the steel industry unable to fill orders for immediate wants. Such a situation, while only a possibility, may not be without its influence on price structure.

From the foregoing it appears that the industry as a whole will operate at a somewhat higher rate than in the third quarter, and under low prices, since no great change is expected in the near future in either direction. For some companies, who obtain revenue from carriers, increased production advantages will be offset by the loss in income from these extraordinary sources. In the accompanying reviews are given the estimates of possible earnings for some of the leading steel concerns in the fourth quarter.

U. S. Steel Net earnings in the third quarter were $41,373,831, compared with $46,040,461 in the second and $52,626,826 in the third period of 1926. This was the equivalent, based on new common stock of $2.15, $2.79 and $3.58 respectively. Earnings by months were 13.8 millions in July, 14.3 in August and 13.3 in September with operations estimated at 66, 74 and 65% respectively. It is generally understood that October operations were about 66%. November should show an average over 70% with December even better, or it may be as-

sumed that operations for the fourth quarter will be approximately 75%. Based on a continuation of revenue from rail and water carriers in October, and taking into account the increased production that may be expected for the balance of the year, it appears that earnings will be somewhat under third quarter period due to decreased revenue from carriers and shipment of steel against low prices in fourth quarter. Earnings would approximate 40 millions for this quarter on the basis of these figures, or somewhat better than common dividend requirements. It appears that earnings will be about $9.75 on new common stock for 1927, compared with $12.86 last year and $9.16 in 1925. Despite the falling off from last year, in view of the unusually low prices for this year, these returns can be considered with favor, especially since they reflect the ability of the corporation to make fair earnings in spite of reduced operations and low prices.

Bethlehem Earnings for the first nine months for this concern were $4.65 on common, with each quarter showing a marked decrease from the preceding period. It can hardly be expected that the fourth quarter will be any better than the third, and in all probability it will be somewhat under. While earnings last year were $1.55 for the fourth period, they were made under much higher operations and prices. It appears that full year earnings on common will run close to $5.00. The large expenditures of past years on plant improvement are now being partially realized in economical operating costs, and will even be more noticeable in the next few years.

Youngstown Last year this concern earned $14.53 per share common, compared with $12.38 in 1926 and $6.68 in 1925. Thus far this year earnings are $5.17, the third quarter showing $1.30. The continuation of low prices should make their mark on fourth quarter earnings in spite of an expected improvement in production. It appears that earnings on common for 1927 will hardly be more than $6.00.

Republic Earnings of this concern have been extremely erratic over a period of years, and in all respects exemplify the "prince and pauper" title formerly borne by all steel concerns. Common earnings for the few years past have been as follows: $15.00 in 1923; $0.56 in 1924; $6.88 in 1925, and $11.05 in 1926. Thus far this year $4.07 was earned, the third quarter showing a sharp drop to $0.21. Fourth quarter prospects are hardly bright, so that full year returns may not be more than $4.00.

Inland This small Chicago concern has shown a regularity of earnings during the past few years only equalled by the larger companies. Earnings on common were $4.04 in 1924, $3.53 in 1925 and $5.45 last year. Thus far this year net return on common by quarters has been $1.65, $1.73 and $0.90 for each period respectively, making a total of $4.28. Earnings for the full year will probably be less than last year, possibly somewhat under $5.00.

Among other concerns the same trend to somewhat lower earnings than last year may be expected. Gulf States Steel showed $5.28 on common last year, and with $3.32 for the first nine months of 1927, can hardly be expected to earn more than $3.50 to $4.00. Colorado Fuel, which earned $7.60 on common last year and made an exceptionally fine showing of $6.95 in the first half, slumped badly in the third quarter with $0.11. Earnings for the fourth quarter may be somewhat better, but in any case it appears doubtful if last year will be surpassed.

As a whole steel industry earning prospects in the fourth quarter are not particularly prepossesing, and earnings for the full year should be noticeably less than last year. While reduced operations does in some measure account for this, the vital factor has been low steel prices. It is in the price situation rather than in operations that the steel industry looks for relief.

With any improvement in price structure, first quarter earnings should compare favorably with that of last year. There are clear evidences of promised higher operations for this quarter. With prevailing poor prices there should be some improvement over fourth quarter earnings due to higher operations, and with any sort of fair prices, first quarter earnings will prove decidedly satisfactory. As indicated by this year's performance, holders of stocks in well integrated steel concerns should have no cause for alarm, since such concerns can earn fair amounts in spite of low prices and moderate operations. There is every reason for them to view the future hopefully.

COLUMBIA GAS & ELECTRIC

(*Continued from page* 239)

company has no raw material and very small labor costs. Its main cost items may be generally classed as overhead, which declines sharply per thousand cubic feet as the amount of gas sent out increases. A natural gas company will, therefore, normally quote a much lower rate to a large scale industrial buyer than to the home consumer. A typical illustration would be 65 to 75c per thousand cubic feet to a small domestic consumer against 10 to 15c per thousand to the large factory user.

The strictly natural gas company, largely dependent on industrial demand for its sales must necessarily be more subject to fluctuations of business prosperity. In times of depression, a few large factories shutting down would cause an appreciable decline in total sales and net earnings. Domestic users, on the other hand, would be apt to use pretty nearly the same amount of gas per capita for cooking, lighting, heating, etc., in bad times as in good.

Gas and the "Business Cycle"

It is reasonable to expect, therefore, that natural gas companies will in the long run, prove sensitive to fluctuations of general business activity to an extent not usually expected of a public utility. To some extent these variations have been disguised hitherto by the rapid increase in the consumption of natural gas as more and more industries appreciate its merits and economy, and this upward trend may be expected to continue for some time to come. At the same time, getting down to our specific subject, Columbia Gas & Electric as a system deriving 65% of its gross from gas and 11% from gasoline, oil and miscellaneous, a total of 76% from lines which may be expected to fluctuate, against 22% from electricity and 2% from traction, branches which should remain stable in spite of business depression, must be admitted to be more vulnerable than the smaller system of 1925, which received 50% of its gross revenue from electricity and 42% from gas.

This may help to explain why the stock, at current prices around 88 to yield 5.7% on the current dividend rate of $5 is selling at only about twelve and one-half times 1926 earnings per share, while other strong utility stocks are selling at fifteen to twenty times earnings.

In view of the record of progress indicated by the accompanying figures, there seems little reason to doubt that the company's gross and net will continue to increase over a period of years and that increasing benefits to stockholders may come from the widening margin over the present dividend rate. The company's record has been one of great financial conservatism, aggressive selling methods with respect to its utility services, efforts to simplify the complex financial structure which has grown up over a period of years, low valuation of fixed assets and commendable foresight with regard to reserves of natural gas, especially with the added precaution of utilizing artificial gas installations as auxiliaries. *At current prices, the stock would seem to be a reasonable purchase for a long pull.*

"STOP INSANITY WHEREVER IT BREAKS OUT"

(*Continued from page* 218)

extravagance, and of waste on fads.

The Government is not financing many fads now, but new ones are constantly being proposed.

We are going to keep the Government on the sound business basis that has been established in recent years. There still is room for improvement *but it is worth noting that in several respects the Government is now run with better regard for sound practice than are many big private corporations.* For example, Government finances have been handled with greater fidelity to sound principles than are the finances of practically any business corporation. The war debt has been reduced in the extent of $8,000,000,000 and the annual interest cost on account of that debt is $335,000,000 less than it was eight years ago. What large corporation can make so good a showing? We will adhere at this session to policies which have made that showing possible.

I have outlined what I think will be the guiding principles of those who are responsible for legislation enacted by the House of Representatives at this session. What will be done about any particular proposal, outside the Government's own immediate affairs, is of course beyond prediction. It will be a busy session; many important national problems must be considered. I don't think sound and honest business has anything to fear from this Congress."

NEUTRAL WITH RESPECT TO BUSINESS

(*Continued from page* 219)

are opposed to government operation of the power and nitrate plants. The subject involves points of principle and policy that are of importance to business in general as well as the section directly affected.

I assume that farm aid and flood control are matters not within the immediate realm of business. Both probably will be dealt with in a comprehensive manner. Am sure the Democrats will do all possible towards

helping solve both of these big problems.

But those two complicated subjects, and taxes and perhaps electric power, with necessary routine matters and appropriations, are not likely to leave much time for attention to other problems.

The Democrats will make an offer to join with the Republicans in revising the tariff but that is about as far, I suspect, as the proposal will get.

Politics will take up a good deal of time, necessarily. The political equation will figure hugely in the question of admitting to the Senate two men whose rights to membership are disputed. Discussion of this subject may be extensive in the Senate. The wet and dry issue which runs athwart all political parties will be a subject of much debate—and little action.

The pending national campaign naturally makes those in control of legislation hesitant about adopting any measures likely to cause disagreeable disturbances. I doubt if they will let anything widely objectionable to the business world get by at this session. But measures wanted by the business world will have an uphill climb with little prospect of reaching points where they will be even voted upon. There may be individual exceptions not now predictable but they won't be numerous.

If Congress solves the farm and flood problems and works out a sound and equitable tax bill and disposes properly of Muscle Shoals, and with this last makes a beginning towards dealing comprehensively with the power problem, most members will feel, I think, that the session has been a successful one.

TRYING TO PUT EACH OTHER IN A HOLE

(*Continued from page* 262)

made at this session, though of course I hope something will be done. Partisanship is likely to be too rife for an adequate solution of the problem to be adopted by Congress at this session.

"You ask me about the Progressive group in the Senate. I believe its members will work together closely at this session, probably more closely than they have done during the last several years. They will not operate in a partisan way like the abject followers of the old party organizations. There are and will be differences of opinion among us but in general, I think, we will be agreed in the end. We are not a 'destructive' group, we havn't any knives out for business or industry as such. But we do think that even the Power Trust is secondary to the Government and that the public interest should have first consideration in dealing with problems in which the big power companies are concerned."

MODERN DIPLOMACY—CASE ONE

(*Continued from page* 221)

many cases and the reflection would be witnessed in a revival in market interest. Furthermore, the huge natural resources of Mexico, including mining, oil, and water power, are still awaiting further development. Already there are over $200,000,000 invested in water power development and irrigation, of which American capital has taken a large share; about a half billion dollars is invested by American interests in Mexican mining properties; probably a quarter of a billion in oil properties.

Mexico has huge potential value to the developer. Owing to unfortunate developments internally and externally during the past decade or more, the development of these resources by outside agencies has been retarded. It is to be believed that a new era of amicable co-operation will provide a suitable background for resuming the traditional American interest in Mexican economic welfare.

It is because of the immense possibilities involved that the mission of Mr. Morrow will be watched with more than customary interest. Should he succeed, it will mark not only a diplomatic triumph of the first order for the President but it will announce to the world that the conservative American business man has a grasp of affairs and understanding of human relations not generally, unfortunately attributed to him.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$6	Adams Express	$1.50	Q	12-15	12-31
$2	Am. Bank Note cm...	$0.50	Q	12-12	1-3
..	Am. Bank Note cm....	20%	Stk	12-12	12-30
..	Am. Bank Note cm...	$1.00	Ext	12-12	12-30
$3	Amer. Chicle cm......	$0.75	Q	12-15	1-1
$5	Amer. Radiator cm...	$1.25	Q	12-15	12-31
$4	Amer. Safety Razor..	$1.00	Q	12-10	1-3
..	Amer. Safety Razor..	$0.25	Ext	12-10	1-3
$9	Amer. Tel. & Tel.....	$2.25	Q	12-20	1-16
$7	Atl. Coast Line......	$3.50	SA	12-15	1-10
..	Atl. Coast Line.......	$1.50	Ext	12-15	1-10
7%	Baldwin Loco. cm....	3½%	SA	12-3	1-1
7%	Baldwin Loco. pf.....	3½%	SA	12-3	1-1
$5	B'klyn Union Gas....	$1.25	Q	12-7	1-3
$2	By-Prod. Coke	$0.50	Q	12-6	12-20
$3	Chrysler Corp. cm....	$0.75	Q	12-15	1-3
$8	Chrysler Corp. pf.....	$2.00	Q	12-15	1-3
$5	Kennecott Copper	$1.25	Q	12-2	1-3
$4	Gen'l Elec. cm.	$1.00	Q	12-23	1-27
$4	Int'l Cement cm......	$1.00	Q	12-12	12-31
$1.20	Kresge, S. S.	$0.30	Q	12-10	12-31
$4	Mathieson Alk. cm...	$1.00	Q	12-16	1-3
$5	Montana Power	$1.25	Q	12-12	1-3
$5	Nat'l Lead cm........	$1.25	Q	12-16	12-31
$3	Packard Motor	$0.25	M	12-15	12-31
..	Packard Motor	$0.15	Ext	12-15	12-31
$8	Par. Fam. Play cm...	$2.00	Q	12-15	1-3
$6	Pere Marquette Ry...	$1.50	Q	12-10	1-3
$2.40	St. Joseph Lead......	$0.60	Q	12-9	12-20
..	St. Joseph Lead......	$0.25	Ext	12-9	12-20
$7	St. L.-San Fran. cm..	$1.75	Q	12-9	1-3
..	St. L.-San Fran. cm..	$0.25	Ext	12-9	1-3
$2	So. Porto R. Sug. cm.	$0.50	Q	12-10	1-3
$6	Union Carbide & Car..	$1.50	Q	12-5	1-2
$4	United Fruit	$1.00	Q	12-3	1-3
$2	White Motor	$0.50	Q	12-15	12-31
$5	Young. Sh. & T. cm..	$1.25	Q	12-14	12-31

TRADE TENDENCIES

(*Continued from page* 258)

shown a similar tendency, a more favorable production rate for the industry, as a whole, is sure to be witnessed. At the present time the corporation is operating at about 71%, with the entire industry slightly above 68%.

The most encouraging development in some months occurred in the recent advance of $1 per ton in plates, bars and shapes which took place in the Pittsburgh and Chicago markets. A price of 1.80c per pound was quoted in the Pittsburgh district, and 1.90c in Chicago by two of the subsidiaries of the Steel Corporation, although a leading independent in the Chicago territory also revised its price scale to this figure.

Considerable railroad business is coming into the market and the buying seems likely to be sustained for some time, as equipment replacement tonnage is still to be specified for. Agricultural implement makers are operating at the best levels of the year, with little indication that there will be any material let-down. Demand from the automobile industry should show a substantial increase in January, which marks the beginning of a larger production period, and even now some improvement is in evidence.

Pig iron has shown no change as yet, but recovery in the finished steel market cannot fail to find reflection in iron markets. Prices are still at low levels but more inquiries coming into the market suggest the possibility of some much-needed strength; and the outlook is distinctly more favorable.

PETROLEUM

Recovering Slowly

Owing to consistent over-production of crude oil throughout the year, the industry has an accumulation of stocks on hand which finds no precedent in petroleum history. The amount of oil and its products in storage so far this year shows an increase of over 11%, while crude alone reflects a gain exceeding 17%. Gasoline, on the other hand, is down; total stocks at the end of September showed a decline of about 3,500,000 barrels as compared with the same period last year.

While it is true that pro-rating agreements have partially accomplished their purpose, current production is insufficiently curtailed to hold forth promise of any great nearby improvement. From a long range aspect the steady decline in production is encouraging, but it should be noted that it is still in excess of last year. That

(*Please turn to page* 295)

New York Curb Market

IMPORTANT ISSUES

Quotations as of November 22

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Albert Pick Barth wi.†	14¾	10	11
Aluminum Co. of Amer.	113¼	67⅞	111¼
Amer. Cigar (8)	148¼	115	137
Amer. Gas, Elec. (1)††	125	68¼	124¾
Amer. Super Power A (1.2)†	41⅞	27¼	40
Celotex Co. (3)	85¾	62½	65
Centrif. Pipe (0.60)*	18⅞	9¾	12
Cities Service New (1.2)†	58¾	40¼	51
Cities Service Pfd. (6)†	95	87½	94⅜
Consol. Gas of Balt. (2½)	71	50⅞	68¼
Consolidated Laundries (2)*	22¾	15	15¼
Durant Motors†	14⅞	5¾	9¼
Elect. Bond Share (1)†	80¾	66½	76½
Electric Investors†	44¾	32⅜	44⅝
Fajardo Sugar (10)	167¼	150	158
Ford Motor of Canada (15)	598	393	572
General Baking A (5)*	80¾	52½	78⅞
General Baking B*	9¼	4⅝	9
Glen Alden Coal (10)†	187½	159½	180
Gulf Oil (1.5)†	105	86¼	103¾
Happiness Candy Store (50)	7	4½	5⅝
Hecla Mining (2)†	18½	12⅜	16
Hygrade Food Products	25	23¾	24
International Utilities B	9¾	3	8⅜
Johns-Manville, new (3)	123¾	55½	116¾
Land Co. of Florida†	36	18	26
Lion Oil Refining (2.25)*	27½	20⅛	22⅛
Lone Star Gas (2)	57½	37¼	56⅜
Metro Chain Store††	58½	30	55
Mountain Producers (2.60)†	26⅞	22¾	25

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
New Mex. & Arizona Land†	16	9¼	9⅝
New Jersey Zinc (12)	194¾	178	182⅞
Nipissing Mining (30c)*	10¾	5⅛	6⅝
Northern Ohio Power†	18⅜	9⅞	17⅝
Pacific Steel Boiler (1)*	14¾	9½	14½
Puget Sound P. & L.†	38¾	28	37
Reo Motor (80c)†	26½	19½	25¾
Salt Creek Producers (2½)†	32	27¼	30½
So'east Pwr. & Lt. (new 1)†	46	29⅜	44⅞
So'east Pwr. & Lt. Pfd. (4)	84½	67⅛	84½
Stutz Motors*	21⅜	12⅛	18⅞
Tobacco Products Export†	4⅜	3	3¼
Trans Lux*	8⅜	3½	5
Tubize Artif. Silk† (10)	403	145	399
Tung-Sol Lamp "A" (1.80)	24¾	17¾	22
United Electric Coal	33⅛	22⅝	29⅞
United Gas & Improvem't (4)	118⅞	89	109¾
U. S. Gypsum (1.60)	110¾	88⅛	90½
STANDARD OIL STOCKS			
Continental Oil (1)	22⅝	16¼	18½
Humble Oil (1.6)†	68½	54	66½
International Pet. (.75)	34⅞	28¼	32¾
Ohio Oil (2.75)	67⅝	52	67
Prairie Oil & Gas†	55½	45⅝	49½
Standard Oil of Ind. (3.5)†	81½	64¾	80¾
Vacuum Oil (5)†	149⅞	95⅛	147¾

* Listed in the regular way.
† Admitted to unlisted trading privileges.
†† Application made for full listing.

CURB stocks continued strong the past fortnight, with more uniform gains recorded throughout the list than characterized the "Big Board" and some of the secondary exchanges. Public utility shares were especially strong. *American Gas & Electric* reached 125, a new high for the year and a gain of about fifteen points during the period. New highs were also established by *Electric Investors* and *Northern Ohio Power. Puget Sound Power & Light* continued to show the strength in trading recently pointed to in these columns, registering a gain of about four points during the fortnight which carried the shares close to their high mark for the year. Dividend resumption is thought to be not far in the offing for this issue, if the company continues to strengthen its position at the present indicated rate.

The two "Mellon Stocks" on the Curb made a rather spectacular display during the fortnight. *Aluminum Company of America* and *Gulf Oil*, both recorded new high levels for the year, with a considerably larger volume of trading in both shares than normally is witnessed on the Curb for these "inactive" shares. Attention has been called to the interesting long range profit opportunities in *Gulf Oil* a number of times by this department, as a logical expectancy from the company's strong position in the petroleum industry, and the probability of melon cutting due to the existence of the company's 135 million dollar surplus. The recent activity is presumably based on the expectancy of some such action by the management in the not distant future and buying of the most impressive character has been noted recently on the Curb a goodly portion of which is said to come from Pittsburgh. Most of the Standard Oil stocks were strong, new highs being made during the period by *Humble Oil, Vacuum Oil* and *Standard Oil of Indiana.*

The industrial shares showed far less irregularity than in past weeks and had a number of outstanding strong spots. *Tubize Artificial Silk* which has been bought well for some time past, crossed 400 during the fortnight, making a new high for the year and a gain of over sixty points during the period. *General Baking A* stock, recommended by this department in the last issue made a new high for the year at over 80 and held fairly well to this mark in spite of some profit taking that came on the market. *Hygrade Food Products*—a new comer on the Curb—opened up about 6 points over the offering price and made a high of 25 during its first week of open market trading.

(*Continued from page 293*)

producers are fully aware of the necessity for the stricter regulation of output can be noted in the extension of the pro-rating agreement to January 1. So for the present time there is little danger that production will take an upward leap, and it is to be hoped that the industry will see fit to continue the restriction program in the new year. There are other factors to be considered which preclude the possibility of former excessive production. These are the present low level of prices and winter weather. The former is not favorable to wildcatting, and the latter offers considerable impediment to abnormal drilling operations.

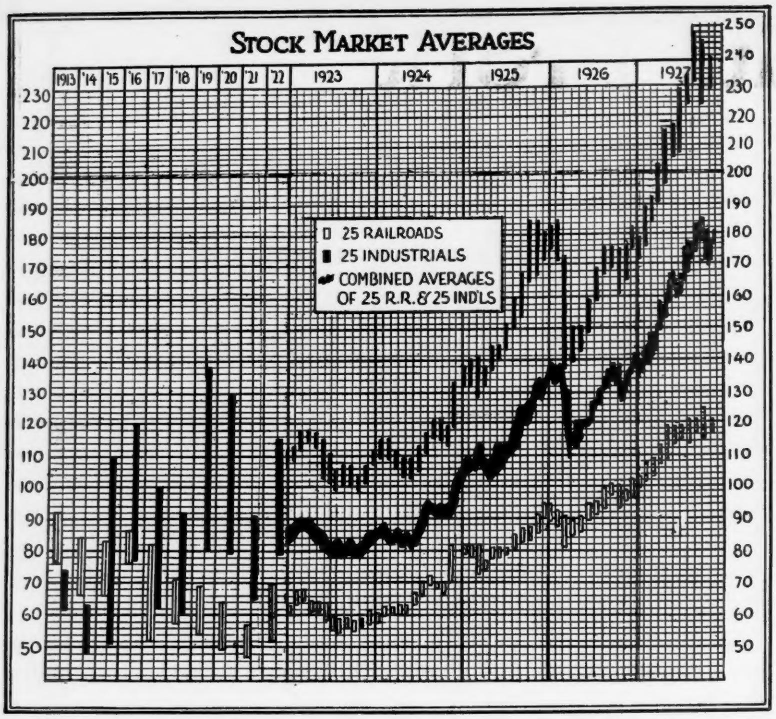
Refined products, on the other hand, are in much better shape than crude. Consumption of gasoline so far this year shows an increase of 8.5% over last year. Production, notwithstanding this larger percentage, has been held down in line with the industry's intention to pursue a more conservative policy with regard to storing of excessive stocks, so as to eliminate to some extent unnecessary charges resulting from tankage expenses and evaporation losses. In consequence the gasoline market is in a favorable position, with prospects that there will be a further improvement if the mild weather continues.

If consumption does not fall off precipitately, relief may begin to be felt early next year, but with facilities already overtaxed further price adjustments may be necessary this winter which, will, of course, still further impair profits of producers already much reduced in comparison with more prosperous condition a year ago.

COPPER

Position Improves

Copper continues in a favorable position, with buying, especially on the part of European consumers, showing little abatement. Statistically, the industry is in a better condition, although production of refined copper for the first ten months of the year increased about 42,000 tons over the corresponding period in 1926. Shipments during these months as compared with last year are up over 38,000 tons. Mine output in October was 68,828 tons; which is the largest total reported since July, and is a gain of almost 3,000 tons over the preceding month. An increase is not surprising in view of the present scale of prices, which have been moving up slowly but surely in response to improvement in both foreign buying and domestic markets. With copper selling at 13½ cents and stocks on hand hovering around the lowest levels this year, it is only natural that producers will try to catch up with the heavier demand by inaugurating a more active operating schedule. As a result of this, production will in all



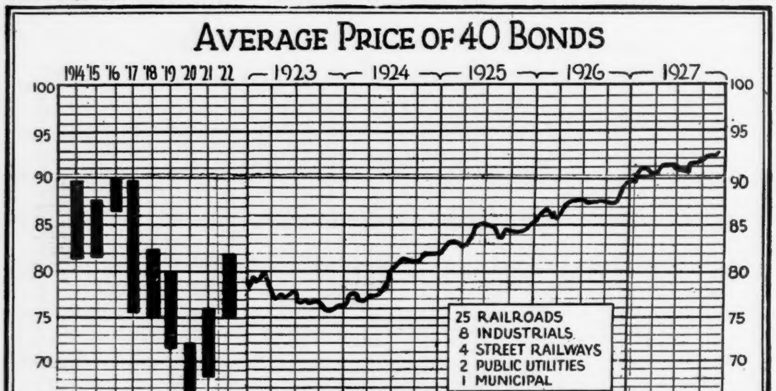
probability continue to mount in consonance with growing consumption both here and abroad.

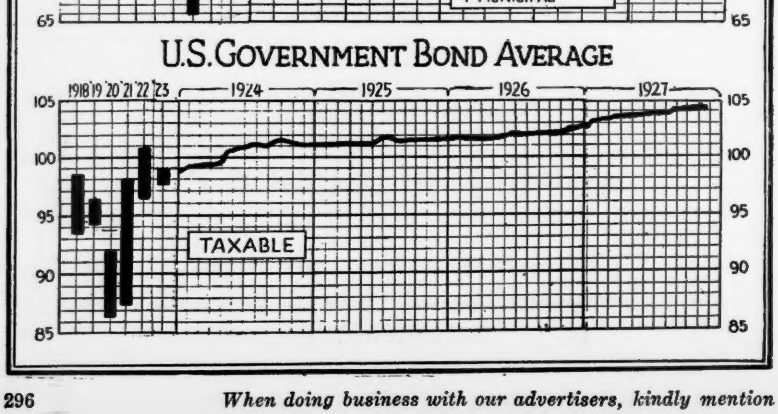
Domestic buying is under last year's volume, owing to smaller participation of autombile and building industries. However, as stated before, this was to a large extent offset by the improved export situation and better control over output.

The formation of the Copper Institute is an interesting attempt on the part of producers to accomplish for the copper industry what the Iron and Steel Institute is doing for the steel trade, i. e., the stabilization of markets; but its influence is yet to be felt. With little evidence that foreign buying will be checked, a similar movement in sympathy with large European imports is likely to be witnessed soon in this country. Although domestic consumers generally are maintaining a waiting attitude, increasing amounts of small orders coming into the market indicate that greater activity is in prospect.

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	20 Indus.	20 Rails	High	Low	Sales
Thursday, Nov. 10	92.35	190.70	138.13	176.85	175.13	1,728,974
Friday, Nov. 11	92.35	193.34	138.77	178.09	175.48	1,934,400
Saturday, Nov. 12	92.52	194.11	139.41	178.87	177.66	977,350
Monday, Nov. 14	92.59	195.91	139.86	180.09	177.71	2,120,280
Tuesday, Nov. 15	92.62	195.37	139.53	180.80	178.19	2,522,310
Wednesday, Nov. 16	92.72	194.53	139.46	180.19	177.65	2,218,146
Thursday, Nov. 17	92.77	195.47	139.71	180.39	177.48	2,463,040
Friday, Nov. 18	92.88	196.68	140.00	180.42	179.15	2,646,750
Saturday, Nov. 19	92.96	196.83	140.04	180.72	179.15	1,389,720
Monday, Nov. 21	92.86	194.90	139.20	180.78	178.07	2,492,840
Tuesday, Nov. 22	92.76	196.20	139.88	179.85	177.61	2,551,655
Wednesday, Nov. 23	92.80	197.10	140.40	180.82	178.47	2,972,080





Important Corporation Meetings

Company	Specification	Date of Meeting
American Beet Sugar	Directors	12-5
Barnet Leather	Directors	12-5
Loose-Wiles Biscuit	Directors	12-5
American Express	Dividend	12-6
Atchison, Top. & S. F.	Directors	12-6
Borden Co.	Directors	12-6
Fox Film Corp.	Directors	12-6
General Asphalt	Directors	12-6
International Shoe	Com. Div.	12-6
Oppenheim, Collins & Co.	Directors	12-6
Timken Roller Bearing	Directors	12-6
Certain-teed Products	Dividend	12-7
Cluett, Peabody & Co.	Pfd. Div.	12-7
Eastman Kodak	Pfd. & Com. Divs.	12-7
Lehigh Valley R. R.	Dividend	12-7
Lorillard (P.)	Pfd. & Com. Divs.	12-7
Oil Well Supply	Pfd. Div.	12-7
Pere Marquette Ry.	Directors	12-7
St. Louis-San Francisco Ry.	Directors	12-7
United Gas Improvement	Special	12-7
Westingh. El. & Mfg.	Pfd. & Com. Divs.	12-7
American Railway Express	Directors	12-8
Case (J. I.) Threshing Mach.	Directors	12-8
Hudson & Manhattan R. R.	Directors	12-8
International Tel. & Tel.	Directors	12-8
Southern Pacific Co.	Dividend	12-8
Union Pacific System	Directors	12-8
U. S. Realty & Improvement	Directors	12-8
Simms Petroleum	Directors	12-9
Westinghouse Air Brake	Dividend	12-9
Tenn. Copper & Chemical	Directors	12-10
Canadian Pacific Ry.	Directors	12-12
Paramount Fam. Lasky Corp.	Pfd. Div.	12-12
American Chain	Directors	12-13
American Linseed	Directors	12-13
Amer. Brake Shoe & Foundry	Dividend	12-13
Jewel Tea Company	Directors	12-13
Manhattan Railway	Directors	12-13
National Biscuit	Directors	12-13
Thompson, J. R.	Dividend	12-13
United Fruit	Directors	12-13
Western Union Telegraph	Directors	12-13
Air Reduction	Dividend	12-14
Continental Can	Directors	12-14
Foundation Co.	Directors	12-14
Macy, R. H.	Directors	12-14
New York Central	Dividend	12-14
Woolworth, F. W.	Directors	12-14
Adams Express	Directors	12-15
Houston Oil of Texas	Directors	12-15
International Cement	Directors	12-15
Louisville & Nashville R. R.	Dividend	12-15
Magma Copper	Dividend	12-15
Texas Gulf Sulphur	Directors	12-15

San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

		1927		Last Sale
	Div. Rate	High	Low	Nov. 23
Anglo & London Paris Nat. Bank	$10.00	235	195	225
Bancitaly Corporation	2.24	125½	89¼	125⅛
Bank of Italy, new	5.24	249⅞	171	222
East Bay Water A Pfd.	6.00	99	95⅛	95½
Federal Brandes	....	24¾	9⅞	23
Great Western Power Pfd.	7.00	105⅜	98⅞	104¾
Key System Prior Pfd.	....	65	10	11½
Los Angeles Gas Pfd.	6.00	104⅝	98⅞	102⅞
Pacific Telephone & Tel. Pfd.	6.00	116	102	114
Pacific Gas & Elec.	2.00	46¼	31⅛	45½

Industrials and Miscellaneous

Alaska Packers' Assn.	8.00	185	160	160
California Packing	4.00	70	61	69¼
California Petroleum	1.00	33	19	22½
Caterpillar Tractor, new	1.40	56⅞	26⅜	53⅛
Foster & Kleiser (cm)	1.00	15	12	13⅛
Hale Brothers	2.00	36⅛	30	32
Hawaiian Coml. Sugar	3.00	53⅛	48	50
Hawaiian Pineapple	1.80	56	42½	53⅞
Home Fire & Marine	1.60	40	28½	38¾
Honolulu Cons. Oil	2.00	42¼	33¾	38
Hunt Brothers Packing "A"	2.00	26¼	22	22⅞
Illinois Pacific Glass "A"	2.00	40½	31½	38
North American Oil	3.60	48	28¾	39½
Paraffine Common	6.00	78	53¾	76
Richfield Cons. Oil	1.00	26½	14¾	24⅛
Schlesinger A Common	1.50	23¾	20	21¾
Shell Union Oil	1.40	31⅞	24⅜	26¾
Southern Pacific	6.00	125	106½	121⅜
Sperry Flour Common	....	65	44	58¾
Spring Valley Water	6.00	108¼	101¼	107
Standard Oil of Calif.	2.50	60¾	50⅝	55⅝
Union Oil Associates	1.99	56⅛	37¾	43⅛
Union Oil of California	2.00	56¼	39½	44⅛
Union Sugar Common	1.00	19	9	9
Yellow & Checker Cab "A"	.80	9½	7¾	8½
Zellerbach Corporation	2.00	40	28	39⅛

LAYING THE FOUNDATION FOR A SECONDARY INCOME

(Continued from page 255)

its maximum, $5,800.

How long will it take us to reach our goal of $60,000 with an income of $3,600 a year? Table II contains the figures which answer this question. The answer is perhaps more clearly given when presented in graphical form as it is in Figure II. Yes, we, too, are surprised that we shall reach our goal in only seven years.

Shall we retire in seven years? We haven't thought much about retiring for both of us are still far on the sunny side of forty and we like our jobs. We shall probably remain in educational work a few years beyond the minimum number necessary to reach our goal. Our capital would then be larger and we could accept a return lower than 6% with the resulting reduction in risk. A secondary income of $3,600 a year will make possible many things. Most important of all, financial independence will give us a sense of complete security. This sense of security grows, we find, in direct proportion to the increase in our secondary income. Statistics tell us that only 5% of people past the age of sixty are financially independent. We intend to be among that 5%.

Our plan for Financial Independence seems to me to be different from most others: First, it is a joint undertaking by two wage-earners; second, the standard of living does not rise with an increase in income; third, several items —automobile, theatre, country club, telephone, tobacco, maid—which occur in almost every other budget as "necessities" do not find a place in this plan; fourth, because of the elimination of certain unnecessary "necessities," the ratio of savings to expenses is larger than that of most other plans.

MILLIONS AT STAKE ON PENDING INSURANCE REFORM

(*Continued from page* 225)

insurance—another way of viewing "what insurance really costs." A compilation has been made from the reports of 27 of the leading companies that have been in business for thirty years from 1897 to 1926, inclusive, and which today do well over three-quarters of the nation's life insurance business. During these thirty years they collected 14,976 million dollars in premiums. In addition, they earned 5,122 million from their invested assets, giving them a total income for the entire period of 20,099 million dollars. Again we realize the scope of the life insurance business when we write in terms of *twenty billions of dollars*.

Of this total amount received a little more than half—or to be exact, 10,945 million dollars were paid back to policyholders in death claims, surrenders, endowments, dividends and every other form of disbursements to policyholders. Part of this money received, however, was invested in reserves against the increased amount of insurance in force. The admitted assets of the companies on January 1, 1897, were 1,161 million dollars and increased to 7,023 million by January 1, 1927. The difference of 5,826 million dollars in admitted assets were really accumulated for the benefit of policyholders as they are a guarantee fund for the present insurance in force. So we will credit this gain to the benefit of policyholders, and consider that they gained a total of 16,807 million dollars directly and indirectly. On average from every $100 paid in premiums, a total of about $112 was gotten back over a period of thirty years in death claims, dividends, gains in reserves, endowments and every conceivable form of benefit.

But how about the 5,112 million dollars, which the premiums of policyholders that were invested in reserves, earned during this period? The major portion of this sum was dissipated as far as policyholders' benefits were concerned. Where did the money go? And here again comes up the old familiar answer of "company expenses." Policyholders got their money back in some way, directly or indirectly; through death and prior to death; and a little more besides. But if a fair rate of return on their funds paid in were charged in addition to the principal amount of the premiums paid in, the losses to policyholders would be increased by several more billions of dollars. Leaving individual cases out of the question (which proved nothing anyhow), these facts give the real answer to the much quoted allegation that "life insurance costs nothing."

In the chart on page 223 is shown the twenty-year trend of the three items

that determine the net cost of life insurance premiums in the long run. In the case of two of these items the trend is favorable. Mortality costs are decreasing, as the result of improved health conditions, education, modern safeguards against sickness and death, and careful selection of the better life risks by the medical staffs of the insurance companies. The second item of investment return also shows a satisfactory trend from the standpoint of the companies as the result of financial conditions generally that are beyond the control of the companies. In the medical and investment divisions of the business, the companies have an exemplary record to point to for good management and efficiency. The financial experts who are responsible for the placing of the huge sums of the companies' funds at work in mortgages and securities are notably sagacious and generally are credited with obtaining the best possible advantage consistent with safety in the use of these billions of dollars of invested assets.

Had the item of company expense (the trend of which is indicated in the third line) remained stationary during the period shown, it follows that the net cost of premiums today would be a good deal lower than they now stand. And, had the trend of "costs" been as favorable as the other two items, due to the savings that one might expect from such a tremendous expansion of the business, then policyholders would be paying many millions less today, both in net rates as well as the "actual cost" of life insurance. It is this last item that Mr. Montgomery has placed under the scrutiny of his fellow life insurance executives and which the wide-awake men in the business are now analyzing carefully.

Mr. Montgomery attributes a considerable portion of the present heavy "insurance expense" to practices in vogue with the agency system of selling life insurance. In his comments the following criticisms were brought forth:

* * * *

"We all know that the first and great element of expense of management in life insurance is in the field, in the acquisition of the business. So long as the companies as a whole have as their standard volume of paid-for business, instead of net gain, this will always be hardest to control."

* * * *

"In any well-regulated and efficient business where economy is practiced and waste eliminated, an employee is required to perform a specific task, to do a certain amount of work, to retain his position. The lazy, the inefficient, the drone, is eliminated. Life insurance business seems to be the exception."

* * * *

"Agency contracts as a whole are based on a percentage of the first year's premium and a renewal or percentage for a limited number of years on each policy that renews, and this renewal or percentage is oftentimes paid whether or not the agent continues in the employ of the company, whether he renders any service or performs any work to earn it. Under such a system an agent has little to lose whether a policy renews or not. If the policy renews, he gets his renewal fee on it; if it does not his loss is small and he is liable to figure that the time spent in renewing a policy is wasted, because he could go out and write a new one while he is trying to reinstate an old one and get a much larger compensation therefor."

* * * *

"On the other hand (after referring to the large body of efficient and conscientious agency men) a large number of men come into the business simply as a means to an end. Some are talked into it; some are coaxed or subsidized, as it were, into it through advances in one form or another; and some come into it because they feel they can work as they please and make an easy living. . . . They will twist policies from one company to another, regardless of the loss to the individual, and sell a policy to a man whether or not it fits his needs. It costs the company far more to supervise these men than it does the real worker. They do not study the business, consequently when they go out to sell a policy to a man they are unable to render him proper service. The business that they bring to the company generally costs more than it is worth."

* * * *

Mr. Montgomery makes it clear in the body of his address that he has no intention in these references to add to the load of abuse that is frequently the lot of the life insurance agent, in song, stage and folklore of American life. Except for the inefficient types which he heavily scores, he gives due credit to the worth and standing of the large body of field men for their remarkable service to the business and the public. It is the basis on which these men are compensated by the companies that he criticizes in a purely constructive manner and offers to his fellow executives definite suggestions which may bring radical changes in life insurance methods, and which both the business and the public may benefit tremendously from, if universally adopted.

Lapses of policies is the second important element which comes up for consideration in the current discussion of life insurance costs. This factor is one in which the attitude and education of the public plays a very prominent role. Policy lapses and surrenders result from many different causes, some within the control of the companies and their agents and a good many beyond the control of anything but Destiny and policyholder's ignorance of life in-

(*Please turn to page* 302)

Florida

8% and safety

This Company has the proud record of not having lost a dollar, not having foreclosed a mortgage, has always met withdrawals on demand and has always paid 8 per cent dividends, payable 2 per cent, quarterly. We do not employ solicitors nor charge a membership fee on investments with us. All stock is non-assessable and is sold at par and redeemed at par plus earned dividends.

Member "League of Florida Building and Loan Associations"
Member "U. S. League of Local Building and Loan Associations"
Member "American Savings, Building and Loan Institute"

APRIL 5, 1921, $0.00
MCH. 31, 1922, $147,608.20
MCH. 31, 1923, $272,463.58
MARCH 31, 1924, $500,130.44
MARCH 31, 1925, $750,097.74
MARCH 31, 1926, $1,208,168.28
SEPT. 30, 1927, $1,810,083.11

Authorized Capital $5,000,000

Applications for loans far exceed our available funds. We respectfully solicit your investments.

HOME BUILDING & LOAN COMPANY

Under State Supervision

16 and 18 Laura Street, Jacksonville, Fla.
Phone 5-6025

Colorado

7% GUARANTEED INCOME

Payable Either Quarterly or Semi-Annually

Short-term full-paid certificates maturing in five years. Secured by first mortgages on homes in and around Denver plus a conservative contingent reserve fund and rigid state supervision.
Issued in units of $50 to $5,000.
Interest to $300 exempt from Federal income tax.

Write for booklet MW

THE OLD CONSERVATIVE
The Bankers Bldg. & Loan Ass'n.
1510 Glenarm St. Denver, Colo.

Member Colorado State League and United States League of Building and Loan Associations
The Colorado Bankers' Association.

The Magazine of Wall Street rated Colorado Bldg. & Loan Ass'ns "A"

Oklahoma

Invest Your Earnings At 6% 7%

First Real Estate Loans
State Supervision
Tax Exempt
Details Free

Industrial Bldg. & Loan Assn.
26 W. 5th Street Tulsa, Okla.

New Jersey

"Now...I can drop my tools and pick up my playthings!"

The boy in every man, the human being rather than the machine . . . SPEAKS!

THAT is no dream! More men and women than you realize are becoming independent of the daily grind at middle age or later. To others, sufficient income through properly invested funds means emancipation from the two-frequent ennui of one's vocation and the opportunity to pursue a long-cherished avocation.

Assets	
1889	$29,492.63
1892	98,259.16
1897	198,994.92
1902	328,928.50
1907	920,433.63
1912	1,510,901.69
1917	2,718,011.73
1922	7,063,396.60
1927	36,000,000 plus

When a West End Building and Loan shares investment can net $2,000 —or 7%—on $10,000, in 34 months; and when one can do this repeatedly and safely the future looks bright!

Write for Booklet

THE WEST END BUILDING & LOAN ASSOCIATION OF NEWARK, N. J

866-868 BROAD ST. NEWARK, N.J

Assets over $36,000,000. Under the supervision of the Department of Banking and Insurance of the State of New Jersey.

Colorado

Colorado's Largest Permanent Capital Assn OFFERS 7% Full Paid Certificates

Bond form, $100 to $10,000 with interest coupons attached, payable quarterly or semi-annually, 5-year term. Protected by conservative home loans repayable monthly—plus our large permanent capital. Under State supervision. Write for folder "C".

The SILVER STATE
Building and Loan Association
1648 WELTON ST. Members DENVER, COLO.
Colorado State and United States Bldg. and Loan Leagues and Colo. Bankers Assn.

Florida

One of
Florida's Safest Investments

Shares in the
LAKELAND BUILDING AND LOAN ASSOCIATION

ASSETS
More Than $900,000.00

We have never failed to more than earn and pay our dividend, which is payable 2% quarterly January 1st, April 1st, July 1st, and October 1st of each year. Your investment is secured by first mortgages on homes only. We have shareholders in nearly every state. Write for descriptive literature.

P. O. Drawer 629M-W
LAKELAND FLORIDA

(*Continued from page* 300)

surance. But whatever the cause, it is a fact that while the paid-for business obtained by the old-line companies last year amounted to eleven billion of dollars, the net gain was less than five billions.

New business is very expensive, in comparison to old business in force. It is variously estimated that it cost from five to ten times as much to write a new policy as it does to maintain the old policies in force. The latter ratio is one officially recognized by the Insurance Department of the State of Connecticut in its actuarial principles. Furthermore, it is estimated that the time when lapses are greatest is at the end of the first or second year that the contract is in force. When it is realized that the companies actually gained less than fifty per cent of the new business they paid for, the importance of this item in insurance costs is significant.

A conservative estimate of around 50 million dollars is given as the cost of lapsed insurance last year which had no surrender value. Policyholders obtained no value from this wasted asset beyond temporary protection that should have cost a mere fraction of this sum. The companies made little gain because of the cost of new policies. If the insurance buying public wants cheaper insurance it must do its share toward that end.

In conclusion, Mr. Montgomery states the opinion that life insurance costs could be lowered for the mutual good of the business and the public and without stunting its growth. "One of the things that contributes most to its cost, and at the same time contributes most to prevent any reduction of it," he says, "is the mad rush for business; the competition between the companies for volume of paid-for business."

But would the companies continue to get as much business if they paid less for it? Without replacements of new policies, life insurance in force has an inherent tendency to shrink through, maturities of contracts and pre-maturity lapses. And it is on this question that Mr. Montgomery's critics in the business take their stand. It goes without saying that life insurance is a profession that must continue to attract a high type of men, if it is to continue to flourish and be soundly managed. And to continue to attract high calibre men it must pay them well. What life insurance protection contributes to the public welfare is more important, in a sense than merely the cost per thousand dollars of insurance in force. Costs cannot be over-emphasized if such emphasis will tend to retard its growth and prosperity.

But there is another factor in life insurance which it appears that both Mr. Montgomery and his supporters on one side and his critics within the profession on the other side seem to overlook. This factor is the desirability of life insurance from an investment standpoint. As costs are lowered, life insurance becomes a more attractive investment. When policyholders can get both a return of their premiums plus a fair portion of the investment income from their premiums, a new field will be open to these companies, the surface of which they have barely scratched in the investment policies offered today.

Insurance companies serve the community both by alleviating the suffering and distress of sickness and death and also by offering a medium of investment profits through the enforced savings of a life insurance policy. Just as the investment trusts in Europe serve the savings requirements of a wide group of investors, so the insurance companies would appear to have an opportunity for service on this side of the Atlantic. But it is largely on the problem of costs that their success in this field will stand or fall.

"KATY" KEY OF LOREE PLAN

(*Continued from page* 241)

Houston, Texas, the property offers an attractive traffic supply and through line for a system which is to take in the southwestern territory. This position renders it the key property in the Loree plan. As the matter now stands the Interstate Commerce Commission is on record as disapproving in detail, but, according to reports, not necessarily in principle, a plan which contemplates the unification of a system the principal units of which would be the Kansas City Southern Railway, St. Louis Southwestern Railway and Missouri-Kansas-Texas. Kansas City Southern now own 350,000 of the 807,384 shares of common stock of "Katy" as well as 135,000 shares of the 198,937 shares of preferred and 20,000 of the 163,561 shares of common stock of St. Louis Southern. *It is generally understood that further efforts will be made to formulate a plan of consolidation of these roads which will meet the approval of the commission, but in any event the possibilities in this direction lend a distinctly favorable speculative aspect to the "Katy" equity issues.*

Printing

Business Opportunities

Dividends and Interest

CRANE CO.

Dividend Notice

At a meeting of the Board of Directors November 16th a quarterly dividend of one and three-quarters per cent (1¾%) on the Preferred Stock and one and one-half per cent (1½%) on the Common Stock was declared, payable December 15, 1927 to Stockholders of record December 1, 1927.

H. P. BISHOP,
Secretary.

November 16, 1927.

Union Carbide and Carbon Corporation

A cash dividend of One dollar and fifty cents ($1.50) per share on the outstanding capital stock of this Corporation has been declared payable January 2, 1928, to stockholders of record at the close of business December 5, 1927.

WILLIAM M. BEARD,
Treasurer.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a distribution of $1.00 per share on the Company's 2,540,000 shares of capital stock without nominal or par value, payable on December 15, 1927 to stockholders of record at the close of business on December 1, 1927.

Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

Canadian Pacific Railway Company

Dividend Notice

At a Meeting of the Board of Directors held today a dividend of two and one-half per cent on the Common Stock for the quarter ended 30th September last, was declared from railway revenues and Special Income, payable 31st December next, to shareholders of record at three p. m. on 1st December, next.

By order of the Board,
ERNEST ALEXANDER, Secretary.
Montreal, 14th November, 1927.

Financial Notices

Reorganization of

The Servel Corporation and Subsidiaries

There has been subjected to the Plan and Agreement of Reorganization dated September 27, 1927:

Of the claims shown by the August 4, 1927 balance sheets

The Servel Corporation—over 90% in amount
The Servel Manufacturing Company—over 85% in amount

Of stock

The Servel Corporation Common Stock—over 50%
The Servel Manufacturing Company—over 99%

The said Plan and Agreement of Reorganization has been declared operative.

In view of the anticipated consummation of the Plan at an early date no extension will be made of the time for deposits under the Plan. Further deposits under the Plan will be received only in the discretion of the Committee and it reserves the right to refuse deposits and/or to cease receiving deposits without notice. To the extent that additional stock of The Servel Corporation and of The Servel Corporation of New York is received on deposit, depositors thereof will be required to pay at the time of deposit, in addition to the instalments then due in respect thereof, interest thereon at the rate of 6% per annum.

Dated, November 21, 1927.

C. E. SIGLER, Secretary,
80 Broadway,
New York City.

GEORGE W. DAVISON
NICHOLAS F. BRADY
MURRAY H. COGGESHALL
CHARLES M. KITTLE
ALBERT H. WIGGIN
Committee.

Dividends and Interest

ARMOUR AND COMPANY
ILLINOIS

The quarterly dividend of $1.75 a share on the preferred stock has been declared by the Directors, payable Jan. 2, 1928, to stockholders of record Dec. 10, 1927.

ARMOUR AND COMPANY
OF DELAWARE

The quarterly dividend of $1.75 a share on the preferred stock has been declared by the Directors, payable Jan. 2, 1928, to stockholders of record Dec. 10, 1927.

W. P. HEMPHILL, *Secretary.*

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Del., November 21, 1927.

The Board of Directors has this day declared a regular dividend of $2.50 per share and an extra dividend of $0.50 (Fifty Cents) per share on the outstanding no par value common stock of this Company, payable December 15, 1927 to stockholders of record at the close of business on December 1, 1927; also an extra dividend of $3.75 per share on the outstanding no par value common stock of this Company, payable January 4, 1928 to stockholders of record at the close of business on December 1, 1927; also dividend of 1½% on the outstanding Debenture Stock of this Company, payable January 25, 1928 to stockholders of record at the close of business on January 10, 1928.

CHARLES COPELAND, Secretary.

Dividends and Interest

Associated Gas and Electric Company

61 Broadway, New York

Dividends

The Board of Directors has declared the following quarterly dividends payable January 1 to holders of record November 30, 1927:

Dividend No. 24

Original Series Preferred Stock—87½c per share in cash or 2.47/100ths of a share of Class A Stock for each share of Preferred Stock held.

Dividend No. 10

$7 Dividend Series Preferred Stock—$1.75 per share in cash or 4.32/100ths of a share of Class A Stock for each share of Preferred Stock held.

The stock dividend is equivalent to approximately $4.29 per share per annum for the Original Series as compared with the cash dividend of $3.50 per share, and $7.52 per share per annum for the $7.00 Dividend Series Preferred Stock.

M. C. O'KEEFFE, Secretary.

EET